

Revenue Review Meeting

September 20, 2006

AGENDA

REVENUE REVIEW MEETING

September 20, 2006



- ❖ **OTHER AGENCY REVENUES**
- ❖ **2005-07 BIENNIUM**
- ❖ **2007-09 BIENNIUM**
- ❖ **BACKGROUND**
- ❖ **ADOPTION OF THE OFFICIAL FORECAST**

General Fund-State Cash Estimates - Other Agencies
Comparison of September 2006 to June 2006 Forecast
2005-07 Biennium
(Amounts in Millions)

Source/Agency	June 2006 Baseline	Non-Economic Changes	Forecast Changes	September 2006 Baseline	Total Changes
Department of Licensing	\$41.6	\$0.0	-\$0.4	\$41.2	-\$0.4
Insurance Commissioner Insurance Premiums	\$492.8	\$0.0	\$0.1	\$492.9	\$0.1
Liquor Control Board Liquor Profits and Fees	\$94.5	\$0.0	\$4.3	\$98.8	\$4.3
Beer and Wine Surtax	\$3.9	\$0.0	\$0.1	\$4.1	\$0.1
Lottery Commission Lottery Revenue	\$7.9	\$0.0	\$1.6	\$9.5	\$1.6
State Treasurer Interest Earnings	\$130.0	\$0.0	\$20.0	\$150.0	\$20.0
Office of Financial Management Other Agencies	\$20.7	\$0.0	\$8.8	\$29.5	\$8.8
Total General Fund-State	\$791.3	\$0.0	\$34.5	\$825.8	\$34.5

General Fund-State Cash Estimates - Other Agencies
Comparison of September 2006 Baseline to Alternative Forecasts
2005-07 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$41.8	\$41.2	\$40.6
Insurance Commissioner Insurance Premiums	\$499.2	\$492.9	\$486.6
Liquor Control Board Liquor Profits and Fees	\$99.8	\$98.8	\$97.8
Beer and Wine Surtax	\$4.1	\$4.1	\$4.0
Lottery Commission Lottery Revenue	\$9.5	\$9.5	\$9.5
State Treasurer Interest Earnings	\$178.2	\$150.0	\$128.5
Office of Financial Management Other Agencies	\$40.0	\$29.5	\$19.0
Total General Fund-State	\$872.5	\$825.8	\$785.9
Change from 9/06 Baseline	\$46.6		-\$39.9
Change from 6/06 Baseline	\$81.2	\$34.5	-\$5.4

General Fund-State GAAP Estimates - Other Agencies
Comparison of September 2006 to June 2006 Forecast
2005-07 Biennium
(Amounts in Millions)

Source/Agency	June 2006 Baseline	Non-Economic Changes	Forecast Changes	September 2006 Baseline	Total Changes
Department of Licensing	\$41.8	\$0.0	\$0.6	\$42.4	\$0.6
Insurance Commissioner Insurance Premiums	\$492.8	\$0.0	\$0.1	\$492.9	\$0.1
Liquor Control Board Liquor Profits and Fees	\$94.5	\$0.0	\$4.3	\$98.8	\$4.3
Beer and Wine Surtax	\$3.9	\$0.0	\$0.1	\$4.1	\$0.1
Lottery Commission Lottery Revenue	\$6.0	\$0.0	\$1.6	\$7.6	\$1.6
State Treasurer Interest Earnings	\$130.7	\$0.0	\$21.6	\$152.3	\$21.6
Office of Financial Management Other Agencies	\$20.8	\$0.0	\$8.7	\$29.6	\$8.7
Total General Fund-State	\$790.5	\$0.0	\$37.0	\$827.6	\$37.0

General Fund-State GAAP Estimates - Other Agencies
Comparison of September 2006 Baseline to Alternative Forecasts
2005-07 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$43.0	\$42.4	\$41.7
Insurance Commissioner Insurance Premiums	\$499.2	\$492.9	\$486.6
Liquor Control Board Liquor Profits and Fees	\$99.8	\$98.8	\$97.8
Beer and Wine Surtax	\$4.1	\$4.1	\$4.0
Lottery Commission Lottery Revenue	\$9.5	\$7.6	\$7.6
State Treasurer Interest Earnings	\$180.5	\$152.3	\$130.8
Office of Financial Management Other Agencies	41.6	29.6	17.6
Total General Fund-State	\$877.6	\$827.6	\$786.1
Change from 9/06 Baseline	\$50.0		-\$41.5
Change from 6/06 Baseline	\$87.1	\$37.0	-\$4.4

General Fund-State Cash Estimates - Other Agencies
Comparison of September 2006 to June 2006 Forecast
2007-09 Biennium
(Amounts in Millions)

Source/Agency	June 2006 Baseline	Non-Economic Changes	Forecast Changes	September 2006 Baseline	Total Changes
Department of Licensing	\$46.0	\$0.0	-\$1.8	\$44.2	-\$1.8
Insurance Commissioner Insurance Premiums	\$544.3	\$0.0	\$0.0	\$544.3	\$0.0
Liquor Control Board Liquor Profits and Fees	\$114.1	\$0.0	-\$20.7	\$93.4	-\$20.7
Beer and Wine Surtax	\$4.4	\$0.0	\$0.2	\$4.5	\$0.2
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	\$133.5	\$0.0	\$2.2	\$135.7	\$2.2
Office of Financial Management Other Agencies	\$9.7	\$0.0	\$6.7	\$16.4	\$6.7
Total General Fund-State	\$852.0	\$0.0	-\$13.5	\$838.5	-\$13.5

General Fund-State Cash Estimates - Other Agencies
Comparison of September 2006 Baseline to Alternative Forecasts
2007-09 Biennium
(Amounts in Millions)

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$45.5	\$44.2	\$42.9
Insurance Commissioner Insurance Premiums	\$557.9	\$544.3	\$530.7
Liquor Control Board Liquor Profits and Fees	\$95.3	\$93.4	\$91.6
Beer and Wine Surtax	\$4.6	\$4.5	\$4.4
Lottery Commission Lottery Revenue	\$7.7	\$0.0	\$0.0
State Treasurer Interest Earnings	\$198.7	\$135.7	\$82.7
Office of Financial Management Other Agencies	\$28.9	\$16.4	\$3.9
Total General Fund-State	\$938.6	\$838.5	\$756.1
Change from 9/06 Baseline	\$100.1		-\$82.4
Change from 6/06 Baseline	\$86.6	-\$13.5	-\$95.9

**General Fund-State GAAP Estimates - Other Agencies
Comparison of September 2006 to June 2006 Forecast
2007-09 Biennium
(Amounts in Millions)**

Source/Agency	June 2006 Baseline	Non-Economic Changes	Forecast Changes	September 2006 Baseline	Total Changes
Department of Licensing	\$46.3	\$0.0	\$0.6	\$46.8	\$0.6
Insurance Commissioner Insurance Premiums	\$544.3	\$0.0	\$0.0	\$544.3	\$0.0
Liquor Control Board Liquor Profits and Fees	\$114.1	\$0.0	-\$20.7	\$93.4	-\$20.7
Beer and Wine Surtax	\$4.4	\$0.0	\$0.2	\$4.5	\$0.2
Lottery Commission Lottery Revenue	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
State Treasurer Interest Earnings	\$133.7	\$0.0	\$0.5	\$134.2	\$0.5
Office of Financial Management Other Agencies	\$9.8	\$0.0	\$7.0	\$16.8	\$7.0
Total General Fund-State	\$852.6	\$0.0	-\$12.5	\$840.1	-\$12.5

**General Fund-State GAAP Estimates - Other Agencies
Comparison of September 2006 Baseline to Alternative Forecasts
2007-09 Biennium
(Amounts in Millions)**

Source/Agency	Optimistic	Baseline	Pessimistic
Department of Licensing	\$48.2	\$46.8	\$45.4
Insurance Commissioner Insurance Premiums	\$557.9	\$544.3	\$530.7
Liquor Control Board Liquor Profits and Fees	\$95.3	\$93.4	\$91.6
Beer and Wine Surtax	\$4.6	\$4.5	\$4.4
Lottery Commission Lottery Revenue	\$15.8	\$0.0	\$0.0
State Treasurer Interest Earnings	\$197.2	\$134.2	\$81.2
Office of Financial Management Other Agencies	30.8	16.8	2.8
Total General Fund-State	\$949.8	\$840.1	\$756.1
Change from 9/06 Baseline	\$109.8		-\$84.0
Change from 6/06 Baseline	\$97.3	-\$12.5	-\$96.4

Summary of Changes to the General Fund-State Cash Forecast

Comparison of the September 2006 and the June 2006 Forecasts

2005-07 and 2007-09 Biennia

Millions of Dollars

	June 2006 Forecast ¹	September 2006 Forecast Change	September 2006 Non-economic Changes	September 2006 Forecast	Total Change
2005-07 Biennium	\$26,967.0	\$349.8	\$0.0	\$27,316.8	\$349.8
2007-09 Biennium	\$29,463.3	\$62.4	0.0	\$29,525.7	\$62.4
Total Change: 05-07 & 07-09 Biennia		\$412.2	\$0.0		\$412.2

1: Adopted by the Forecast Council June 2006

Changes to the General Fund-State Cash Forecast-by Agency
Comparison of the September 2006 to the June 2006 Forecast
2005-07 Biennium
Millions of Dollars

	<u>June 2006 Forecast¹</u>	<u>Sept. 2006 Forecast Change</u>	<u>Sept. 2006 Non-economic Changes</u>	<u>September 2006 Forecast</u>	<u>Total Change*</u>
Department of Revenue	\$26,175.7	\$315.3	\$0.0	\$26,490.9	\$315.3
All other Agencies	\$791.3	\$34.5	\$0.0	\$825.8	\$34.5
Total General Fund-State*	\$26,967.0	\$349.8	\$0.0	\$27,316.8	\$349.8

*Detail may not add to totals due to rounding.

1: Adopted by the Forecast Council June 2006

September 2006

Cash Basis

Alternative Forecasts

2005-07 Biennium

Millions of Dollars

	<u>2005-07 Biennium</u>	<u>Difference From the September 2006 Baseline</u>
September 2006 Baseline (55%)	\$27,317	
September 2006 Alternative Forecasts		
Optimistic (20 %)	\$27,662	\$345
Pessimistic (25 %)	\$26,902	(\$415)
GCEA*	\$27,194	(\$122)

* Based on the Governor's Council of Economic Advisors Assumptions.

General Fund-State Cash Forecast
Summary of September 2006 Changes to GFS Forecast
2005-07 Biennium
Millions of Dollars

	Collection Experience: June 11 - September 10, 2006			Remainder of the Biennium (9/11/2006 - 6/30/07)		Total Change 2005-07 Biennium
	<u>Actual Variance*</u>	<u>Special Factors-1</u>	<u>Variance Excluding Special Factors</u>	<u>Forecast Change</u>	<u>Other</u>	
Revenue Act**	\$85.8	(2.8)	\$88.6	149.5	0.0	\$235.3
Non Revenue Act	\$46.3	0.0	\$46.3	33.6	0.0	\$80.0
Property tax	\$0.7		\$0.7	2.5	0.0	\$3.2
Real estate ex. tax	\$26.1	0.0	\$26.1	52.8		\$78.9
Cigarette	\$0.8		\$0.8	0.2		\$1.1
other	\$18.8		\$18.8	(21.9)	0.0	(\$3.2)
Department of Revenue Subtotal	\$132.1	(\$2.8)	\$134.9	\$183.1	\$0.0	\$315.3
Department of Licensing	\$0.0		\$0.0	(\$0.4)		(\$0.4)
Lottery	0.0		\$0.0	\$1.6		\$1.6
All other	#N/A		#N/A	\$33.3		\$33.3
Total General Fund-State	<u>\$132.1</u>	<u>(\$2.8)</u>	<u>\$134.9</u>	<u>\$217.6</u>	<u>\$0.0</u>	<u>\$349.8</u>

*Variance since the last (June 2006) forecast (June 11 - Sept. 10, 2006.)

**Retail sales, business & occupation, use, public utilities and tobacco products taxes and penalties & interest.

1-Unusually large audit payments and refunds.

2005-07 Biennial Balance Sheet Including Enacted 2006 Supplemental Budget

General Fund-State Dollars in Millions

RESOURCES	
Beginning Fund Balance	869.7
June 2006 Forecast	26,967.0
September 2006 Update	349.8
Current Revenue Totals	27,316.8
Legislatively-enacted fund transfers and other adjustments	205.7
Total Resources (Includes Fund Balance)	28,392.1
APPROPRIATIONS AND SPENDING ESTIMATES	
2005-07 Appropriations	25,952.4
2006 Supplemental Budget	
Maintenance and Policy Expenditures	522.5
Appropriations to Reserves and Other Funds	825.0
Governor's Vetoes	(2.0)
Spending Level	27,297.9
UNRESTRICTED RESERVES	
Projected General Fund Ending Balance	1,094.2

Department of Revenue General Fund Forecast
2005-07 Biennium; Cash Forecast
Comparison of the September 2006 to the June 2006 Forecast
Millions of Dollars

Source	June 2006 Forecast-1	Non-Economic Change	Forecast Change	September 2006 Baseline	Total Change
Retail Sales	\$13,896.0	\$0.0	\$152.4	\$14,048.4	\$152.4
Business & Occupation	4,921.0	0.0	56.0	4,977.0	56.0
Use	952.4	0.0	7.1	959.5	7.1
Public Utility	659.0	0.0	7.3	666.3	7.3
Tobacco Products	15.7	0.0	0.8	16.5	0.8
Penalty & Interest	255.2	0.0	11.8	267.0	11.8
Revenue Act Subtotal	20,699.4	0.0	235.3	20,934.6	235.3
Liquor Sales/Liter	288.0	0.0	(5.2)	282.8	(5.2)
PUD Privilege	80.0	0.0	0.0	80.0	0.0
Cigarette	103.4	0.0	1.1	104.5	1.1
Property (State School Levy)	2,781.5	0.0	3.2	2,784.7	3.2
Inheritance/Estate	5.1	0.0	1.2	6.2	1.2
Leasehold Excise	45.5	0.0	0.1	45.6	0.1
Fish Excise	4.5	0.0	(0.4)	4.1	(0.4)
Real Estate Excise	1,797.9	0.0	78.9	1,876.8	78.9
other	351.6	0.0	1.7	353.4	1.7
Non Revenue Act Subtotal	5,457.6	0.0	80.5	5,538.1	80.5
State Share- Timber Ex.	18.7	0.0	(0.6)	18.2	(0.6)
Total DOR General Fund	\$26,175.7	\$0.0	\$315.3	26,490.9	\$315.3

1-Adopted by the Forecast Council, June 2006

Track Record for the 2005-07 General Fund-State Cash Forecast

February 2004 through September 2006

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2004****	\$24,293	\$660				\$24,953
Changes to Forecast						
June 2004	57	4	62	(265) #1	(203)	24,750
September 2004	32	16	48	(22) #2	26	24,776
November 2004	(57)	3	(54)	0	(54)	24,722
March 2005	424	14	438	(275) #3	164	24,885
June 2005	327	14	341	159 #4	499	25,385
September 2005	631	15	646	0	646	26,031
November 2005	306	24	330	(25) #5	305	26,336
February 2006	138	21	159	(52) #6	107	26,443
June 2006	511	7	518	6 #7	524	26,967
September 2006	315	35	350	-	350	27,317
Total change***:						
From February 2004	2,685	152	2,837	(474)	2,363	
Percent change	11.1%	23.1%	11.4%	-1.9%	9.5%	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.

** Includes legislative, judicial, statutorily required or other major non-economic changes.

*** Detail may not add to total due to rounding.

**** First official forecast for the 2005-07 biennium.

#1 Change to the forecast due to 2004 legislation.

#2 Revision to fiscal note for high tech tax incentives

#3 Impact of the state Supreme Court decision invalidating the estate tax and lowering the b&O rate on certain meat products

#4 Impact of 2005 legislation, budget driven revenue on the GFS forecast (+\$353.8 million) and shift refunds associated with the two recent court decisions from fy 2005 to fy 2006 (-\$195.0 million)

#5 The combined impact of I-900 on GFS revenue, revision to the impact of the Agrilink court case on GFS revenue, an accounting adjustment and the impact of a 2003 tax law change.

#6 The Department of Revenue has determined that under current law the insurance industry is exempt from sales tax on telephone services. Impact includes on-going and refunds.

#7 Impact of 2006 legislation on GFS revenue in the 2005-07 biennium.

Changes to the General Fund-State Cash Forecast-by Agency
Comparison of the September 2006 to the June 2006 Forecast
2007-09 Biennium
Millions of Dollars

	<u>June 2006 Forecast¹</u>	<u>September 2006 Forecast Change</u>	<u>September 2006 Non-economic Changes³</u>	<u>September 2006 Forecast²</u>	<u>Total Change*</u>
Department of Revenue	\$28,611.3	\$75.9	\$0.0	\$28,687.2	\$75.9
All other Agencies	\$852.0	(\$13.5)	\$0.0	\$838.5	(\$13.5)
Total General Fund-State*	\$29,463.3	\$62.4	\$0.0	\$29,525.7	\$62.4

*Detail may not add to totals due to rounding.

1: Adopted by the ERFC June 2006.

2: Adopted by the ERFC September 2006.

September 2006

Cash Basis

Alternative Forecasts

2007-09 Biennium

Millions of Dollars

	<u>2007-09 Biennium</u>	<u>Difference From the September 2006 Baseline</u>
September 2006 Baseline (55%)	\$29,526	
September 2006 Alternative Forecasts		
Optimistic (20 %)	\$31,320	\$1,795
Pessimistic (25 %)	\$27,770	(\$1,756)
GCEA*	\$29,049	(\$476)

* Based on the Governor's Council of Economic Advisors Assumptions.

Department of Revenue General Fund Forecast
2007-09 Biennium; Cash Forecast
Comparison of the September 2006 to the June 2006 Forecast
Millions of Dollars

Source	June 2006 Forecast¹	Non-Economic Change	Forecast Change	Sept. 2006 Baseline	Total Change
Retail Sales	\$15,385.7	\$0.0	\$93.9	\$15,479.7	\$93.9
Business & Occupation	\$5,438.6	0.0	22.8	5,461.4	22.8
Use	\$1,089.8	0.0	(4.4)	1,085.5	(4.4)
Public Utility	\$697.2	0.0	8.7	705.9	8.7
Tobacco Products	\$17.6	0.0	0.6	18.2	0.6
Penalty & Interest	\$272.4	0.0	(0.1)	272.3	(0.1)
Revenue Act Subtotal	\$22,901.3	0.0	121.5	23,022.9	121.5
Liquor Sales/Liter	\$311.3	0.0	(5.9)	305.4	(5.9)
PUD Privilege	\$90.4	0.0	(0.1)	90.2	(0.1)
Cigarette	\$100.9	0.0	2.0	102.9	2.0
Property (State School Levy)	\$2,990.4	0.0	5.3	2,995.7	5.3
Inheritance/Estate	\$0.0	0.0	-	0.0	0.0
Leasehold Excise	\$49.8	0.0	0.1	49.9	0.1
Fish Excise	\$5.1	0.0	(0.5)	4.6	(0.5)
Real Estate Excise	\$1,804.1	0.0	(30.6)	1,773.5	(30.6)
other	\$336.1	0.0	(14.8)	321.3	(14.8)
Non Revenue Act Subtotal	\$5,688.0	0.0	(44.5)	5,643.5	(44.5)
State Share- Timber Ex.	\$21.9	0.0	(\$1.1)	20.8	(1.1)
Total DOR General Fund	\$28,611.3	\$0.0	\$75.9	28,687.2	\$75.9

1-Adopted by the Forecast Council June 2006.

Track Record for the 2007-09 General Fund-State Cash Forecast

February 2006 through September 2006

Cash Basis - Millions of Dollars

<u>Date of Forecast</u>	<u>Department of Revenue*</u>	<u>Other Agencies</u>	<u>Subtotal*</u>	<u>Non- Economic Changes**</u>	<u>Total Change</u>	<u>Total General Fund-State Cash Basis</u>
February 2006****	\$28,180	\$848				\$29,028
Changes to Forecast						
June 2006	531	17	547	(112) #1	436	29,463
September 2006	76	(13)	62	0	62	29,526
November 2006						
March 2007						
June 2007						
September 2007						
November 2007						
February 2008						
Total change***:						
From February 2006	607	3	610	(112)	498	
Percent change	2.2%	0.4%	2.1%	-0.4%	1.7%	

* Excludes legislative, judicial, statutorily required or other major non-economic changes.

** Includes legislative, judicial, statutorily required or other major non-economic changes.

*** Detail may not add to total due to rounding.

**** First official forecast for the 2007-09 biennium.

#1 Change to the forecast due to 2006 legislation.

Key Washington Economic Variables

	2004	2005	2006	2007	2008	2009
Nonfarm Payroll Employment, %Ch	1.6	2.8	3.0	2.2	2.2	1.8
Manufacturing Employment, %Ch	-1.3	3.1	4.4	2.5	0.6	0.1
Aerospace Employment, %Ch	-5.8	6.9	11.3	6.0	3.2	0.3
Other Manufacturing Employment, %Ch	0.2	2.0	2.2	1.2	-0.3	0.0
Software Employment, %Ch	5.1	5.2	8.0	5.2	3.8	4.1
Construction Employment, %Ch	5.1	8.1	8.8	1.5	1.0	0.4
Service-Producing, %Ch	1.7	2.4	2.4	2.2	2.5	2.2
Unemployment Rate	6.3	5.5	5.1	5.4	5.5	5.6
Real Personal Income, %Ch	4.9	0.1	5.2	4.6	5.0	4.9
Seattle CPI, %Ch	1.2	2.8	3.3	2.4	2.2	1.9
Population, %Ch	1.3	1.6	1.8	1.9	1.8	1.7
Housing Units Authorized by Permit, %Ch	17.0	5.8	-6.3	0.1	-1.5	-4.7

Year-Over-Year Employment Growth by Industry
(August 2005 to August 2006)
Washington vs. U.S.

	Washington		U.S
	(000)	% Chg.	% Chg.
Total	74.4	2.7%	1.3%
Total Excluding Local Government Education	69.4	2.6%	1.3%
Construction	15.7	8.8%	2.6%
Software Publishers	3.6	8.7%	NA
Aerospace Product and Parts Manufacturing	5.5	8.1%	NA
Professional and Business Services	15.1	4.7%	2.7%
Leisure and Hospitality	7.3	2.8%	1.6%
Wholesale Trade	3.0	2.4%	1.6%
Manufacturing Excluding Aerospace	4.4	2.1%	NA
Transportation, Warehousing and Utilities	1.9	2.1%	1.1%
Government Education	4.4	1.9%	0.7%
Retail Trade	5.9	1.8%	-0.7%
Education and Health Services	4.9	1.5%	2.2%
Other Services	0.7	0.7%	0.2%
Government Non-Education	1.9	0.6%	0.7%
Financial Activities	0.6	0.4%	2.1%
Information Excluding Software	-0.2	-0.4%	NA
Natural Resources and Mining	-0.3	-3.4%	9.4%
Information	3.4	3.6%	-0.2%
Manufacturing	9.9	3.6%	0.1%

Washington Geographic Breakdown

Seattle-Bellevue-Everett MSA	41.5	3.0%
Tacoma MSA	7.2	2.7%
Spokane MSA	4.8	2.3%
Rest of WA	20.9	2.2%

Washington 2006 Payroll Employment Growth by Industry

	<u>Job Growth, Thousands</u>		<u>Annualized % Growth</u>	
	July to August 2006	Dec. 2005 to August 2006	July to August 2006	Dec. 2005 to August 2006
Total	2.4	40.2	1.0	2.1
Total Excluding Local Government Education	1.3	35.3	0.6	2.0
Natural Resources and Mining	-0.1	-0.3	-13.1	-5.1
Construction	-0.5	7.3	-3.1	5.9
Manufacturing Excluding Aerospace	-0.4	3.2	-2.2	2.3
Aerospace Product and Parts Manufacturing	0.5	3.0	8.5	6.5
Wholesale Trade	1.0	1.0	10.0	1.2
Retail Trade	0.5	3.4	1.9	1.6
Transportation, Warehousing and Utilities	-0.1	0.6	-1.3	1.0
Information	0.1	3.5	1.2	5.5
Financial Activities	-0.2	-0.4	-1.5	-0.4
Professional and Business Services	-0.4	9.3	-1.4	4.3
Education and Health Services	1.1	2.1	4.0	0.9
Leisure and Hospitality	0.3	1.9	1.3	1.1
Other Services	-0.3	-0.5	-3.4	-0.7
Government Education	1.5	5.0	7.9	3.2
Government Non-Education	-0.6	1.1	-2.4	0.6
Seattle-Bellevue-Everett MSA	0.4	21.3	0.3	2.3
Tacoma MSA	1.0	2.6	4.5	1.5
Spokane MSA	-1.0	0.3	-5.5	0.2
Rest of WA	2.0	16.0	2.5	2.6

Revenue Act Collection Growth Compared to Personal Income Growth

Percent Change from Year-ago Quarter**

<u>Quarter</u>	<u>Revenue Act*</u>	<u>Personal Income</u>	<u>Elasticity</u>
94:4	7.0%	5.6%	1.2
95:1	4.2%	6.8%	0.6
95:2	6.4%	5.2%	1.2
95:3	4.0%	5.2%	0.8
95:4	2.9%	4.1%	0.7
96:1	6.1%	6.4%	1.0
96:2	4.0%	7.3%	0.5
96:3	5.6%	8.0%	0.7
96:4	4.2%	8.5%	0.5
97:1	9.5%	8.0%	1.2
97:2	10.1%	7.6%	1.3
97:3	8.0%	7.0%	1.1
97:4	9.4%	7.4%	1.3
98:1	3.2%	8.8%	0.4
98:2	4.3%	9.0%	0.5
98:3	7.9%	9.8%	0.8
98:4	5.8%	8.7%	0.7
99:1	7.5%	7.4%	1.0
99:2	6.9%	5.3%	1.3
99:3	6.6%	6.6%	1.0
99:4	6.5%	9.4%	0.7
00:1	8.6%	10.0%	0.9
00:2	6.3%	9.0%	0.7
00:3	3.9%	5.9%	0.7
00:4	5.2%	3.4%	1.5
01:1	2.7%	1.1%	2.5
01:2	1.3%	5.1%	0.3
01:3	-2.4%	3.6%	(0.7)
01:4	-2.5%	2.2%	(1.1)
02:1	-2.3%	2.8%	(0.8)
02:2	-0.6%	0.8%	(0.7)
02:3	2.3%	2.4%	1.0
02:4	0.3%	2.1%	0.1
03:1	-0.1%	0.9%	(0.1)
03:2	1.6%	1.8%	0.9
03:3	3.9%	3.1%	1.3
03:4	3.8%	2.7%	1.4
04:1	5.5%	4.1%	1.4
04:2	5.2%	5.0%	1.0
04:3	6.2%	4.3%	1.4
04:4	8.2%	6.0%	1.4
05:1	9.4%	5.7%	1.6
05:2	9.8%	4.6%	2.1
05:3	12.0%	6.2%	1.9
05:4	9.4%	6.2%	1.5
06:1	12.0%	7.8%	1.5
06:2	10.9%	7.9%	1.4

Ave: 86:4 to 2006:2:

0.89

*Revenue Act collections consists of state retail sales, business & occupation, use, public utility and tobacco product taxes well as penalties and interest payments.

** Growth/elasticity of net Revenue Act collections excluding the impact of major new legislation, unusually large audit payments, and credits.

2005-07 Biennium Major Excise Tax Collections

<u>Collection Period</u>	<u>Year-over-Year % Increase</u>	<u>"Elasticity"***</u>
July 1- June 10, 2006 *	10.7%	1.6
June 11-Sept 10, 2006**	10.6%	1.3

Impact of High Elasticity on GFS Revenue 2005-07 Biennium Millions of dollars

	First Fourteen Months	Remainder	Total Impact
If elasticity was the LRA in the first 14 months	(466.3)	(333.0)	(799.3)
If elasticity was LRA (excluding recessionary periods)	(442.3)	(316.0)	(758.3)

LRA: long run average from 86 to 2006:2

* June 05 - April 06 business activity

** May -July 06 business activity

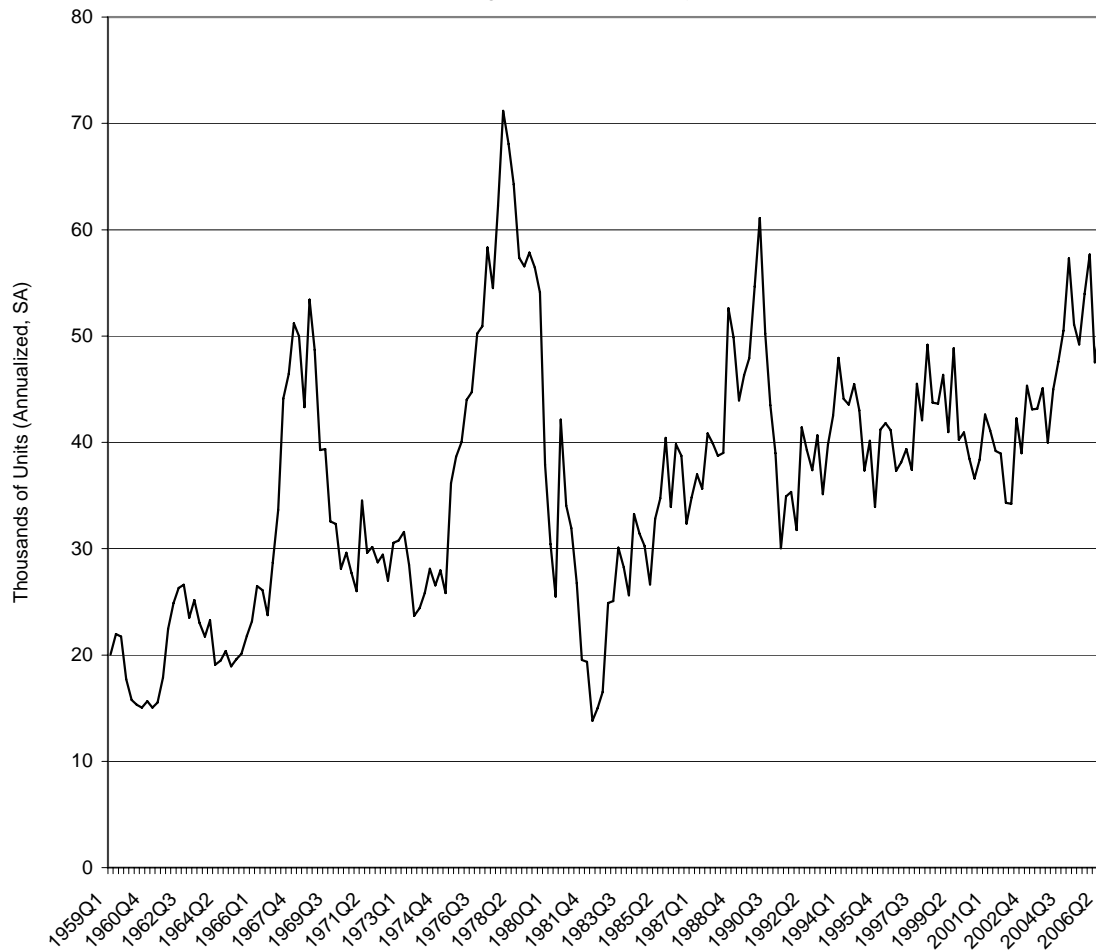
***% change in revenue divided by % change in Personal Income (9/06 forecast)

Peaks and Troughs in WA Housing Permits

Peak	Units (000, annualized)	Trough	Units	Peak-to-Trough % Change	Number of Quarters to Reach Trough	YOY Emp. Growth at Peak	YOY Emp. Growth at Trough
1959Q2	22.0	1961Q1	15.0	-32%	7	NA	-1.6%
1962Q3	26.6	1964Q4	18.9	-29%	9	4.5%	1.1%
1968Q3	53.4	1973Q3	23.7	-56%	20	5.3%	4.5%
1977Q4	71.2	1982Q1	13.8	-81%	17	6.6%	-2.2%
1990Q1	61.1	1991Q1	30.0	-51%	4	6.0%	1.9%
1993Q4	47.9	1995Q3	33.9	-29%	7	1.6%	1.7%
1998Q1	49.2	2002Q1	34.2	-30%	16	3.7%	-2.6%
2005Q4	57.7					3.0%	
Average	48.6		24.2	-44%	11.4	4.4%	0.4%
Current:							
2006Q2	51.25	Peak-Curent:		-11%			

Washington Housing Permits

Sum of Single and Multi-Family Units



Some Signs that Washington Housing Market Isn't Cooling as Fast as the U.S. Market

Authorized Housing Permits, 2006Q2 Year-Over-Year Change

	<u>Total</u>	<u>Single Family</u>	<u>Multi-Family</u>
U.S.	-10.6%	-12.7%	-3.3%
WA	4.5%	-8.6%	53.4%

National Realtors Association Existing Home Sales, 2006Q2 Year-Over-Year Change

U.S.	-7.0%
WA	-2.4% (23rd highest among states)

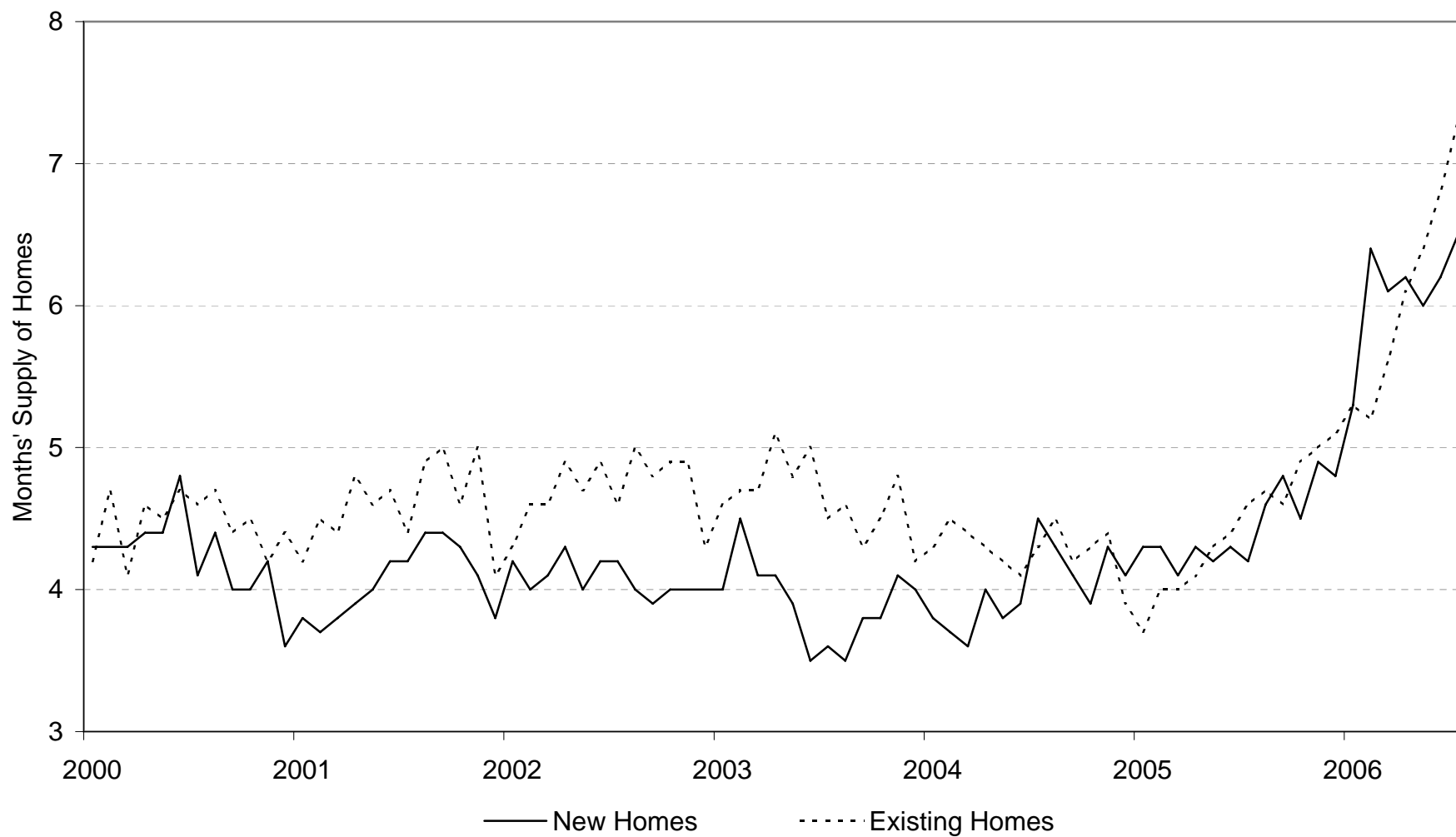
Office of Federal Housing Enterprise Oversight House Price Index 2006Q2

	<u>Q2 Year-Over-Year</u>	<u>Q1-Q2 Growth</u>
US	10.1%	1.2%
WA	17.4%	3.7% (6th Highest Y-O-Y Among States)
Bremerton-Silverdale	21.4%	4.3%
Portland-Vancouver-Beaverton, OR-WA	20.3%	4.4%
Longview	19.9%	5.0%
Spokane	18.9%	5.2%
Mount Vernon-Anacortes	18.7%	2.9%
Tacoma (MSAD)	18.1%	3.8%
Olympia	17.1%	2.0%
Seattle-Bellevue-Everett (MSAD)	17.0%	3.7%
Wenatchee	16.2%	5.1%
Bellingham	15.8%	4.1%
Yakima	8.0%	0.5%
Kennewick-Richland-Pasco	1.8%	-1.1%

NW Multiple Listing Service Data, August Year-Over-Year Closed Sale Price Appreciation

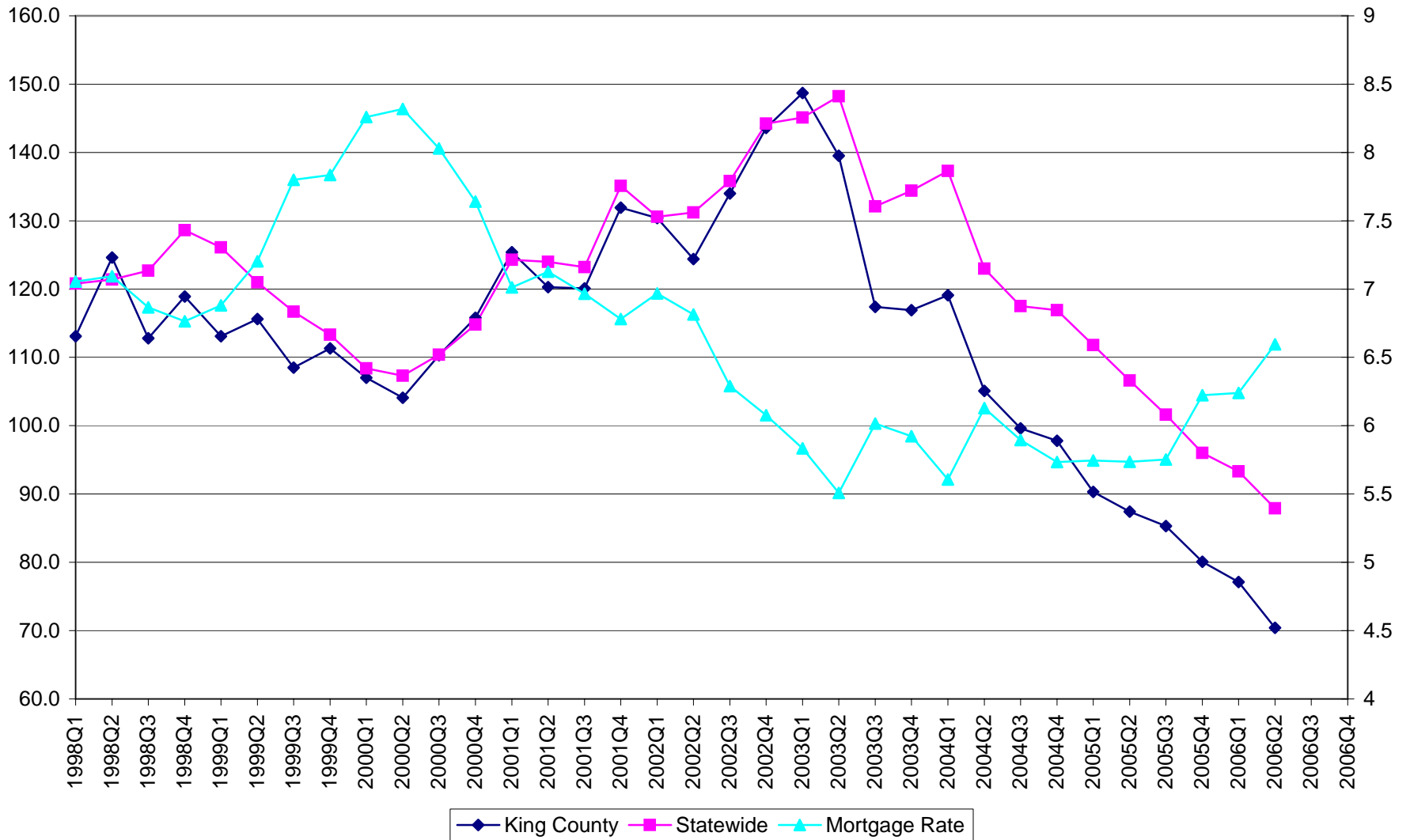
King County	12.0%
Snohomish County	14.2%
Pierce County	12.8%

Home Inventories Surge Relative to Sales

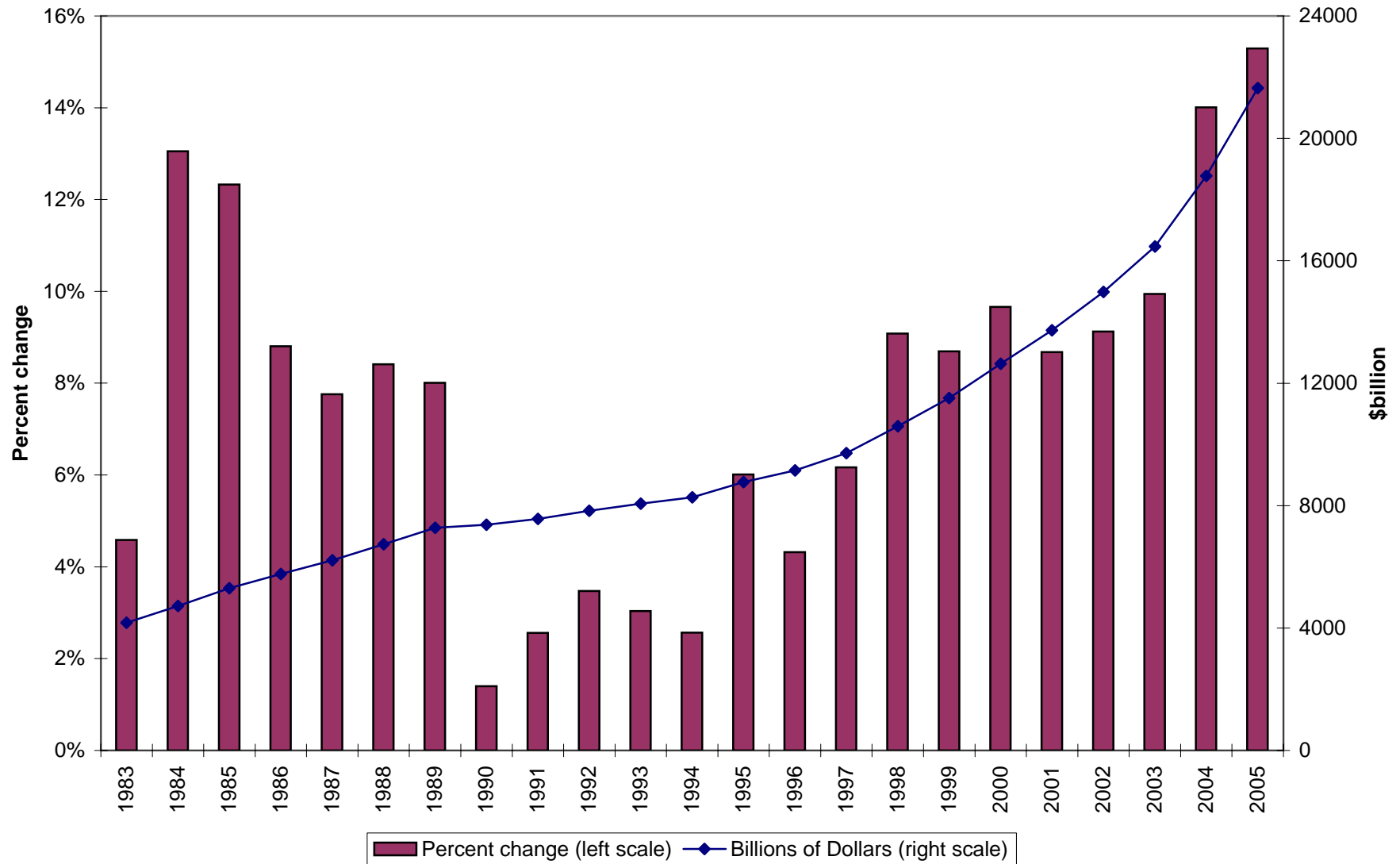


Source: Department of Commerce, National Association of Realtors

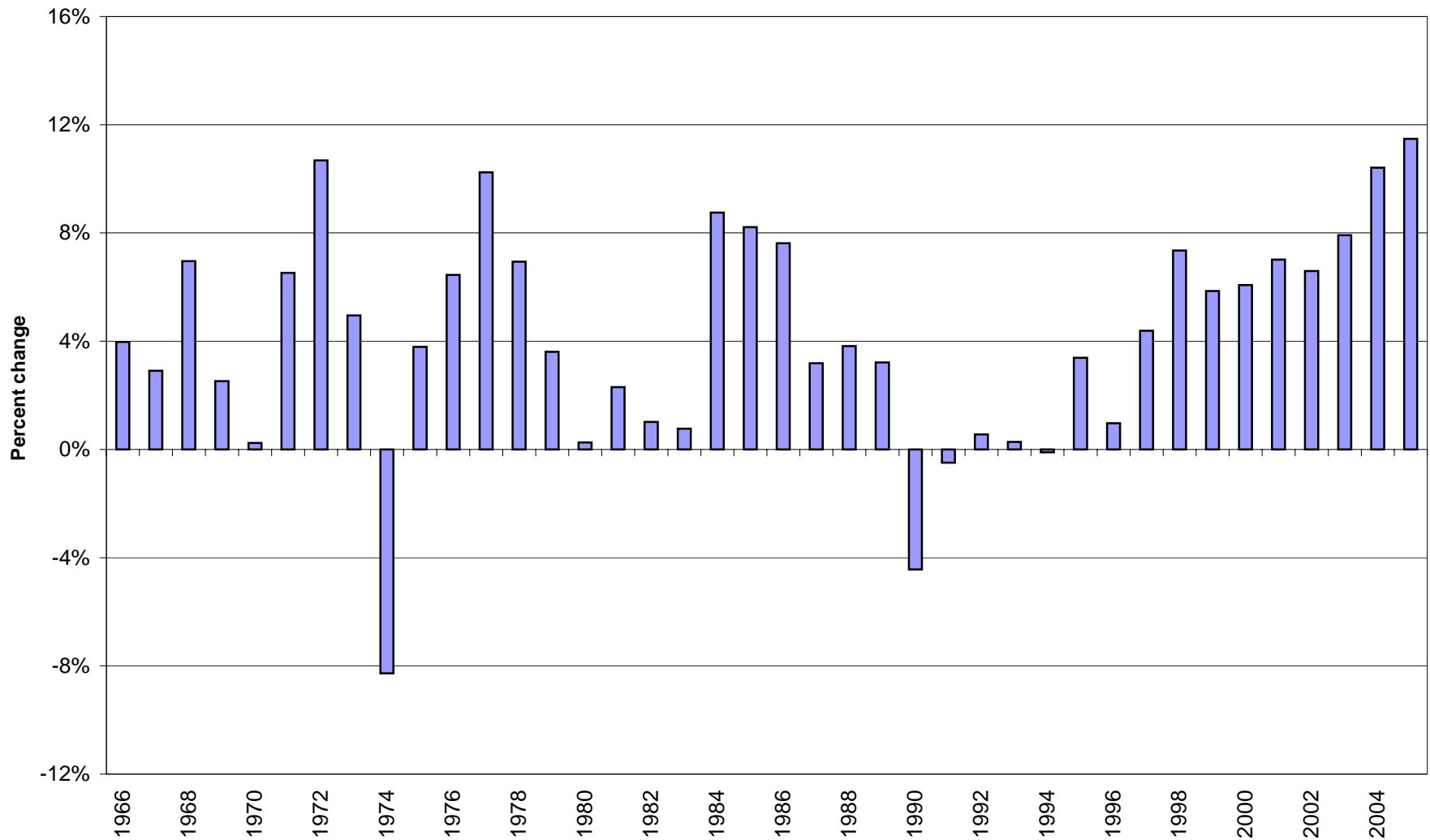
Affordability Index



Real estate valuation on the U.S. household balance sheet



Record multi-year real growth in real estate valuation
(real estate valuation adjusted for the CPI)



House Price Appreciation by State

Percent Change in House Prices

Period Ended June 30, 2006

State	Rank*	1-Yr.	Qtr.	5-Yr.	Since 1980
Arizona, (AZ)	1	24.05	2.94	96.71	323.30
Florida, (FL)	2	21.28	2.51	112.59	377.53
Idaho, (ID)	3	20.14	3.78	55.27	229.24
Oregon, (OR)	4	19.47	3.99	63.79	333.68
Hawaii, (HI)	5	18.09	0.43	111.21	427.63
Washington, (WA)	6	17.39	3.67	60.21	363.59
Maryland, (MD)	7	16.21	2.31	102.68	422.09
District of Columbia, (DC)	8	15.86	1.28	119.97	534.93
New Mexico, (NM)	9	15.54	4.22	50.30	215.40
Utah, (UT)	10	15.17	3.75	33.39	229.32
California, (CA)	11	14.35	1.25	111.93	543.28
Virginia, (VA)	12	14.24	2.01	83.38	360.29
Wyoming, (WY)	13	13.97	2.94	55.61	149.60
Alaska, (AK)	14	12.90	2.82	53.01	169.33
Montana, (MT)	15	12.66	3.12	55.84	254.28
Louisiana, (LA)	16	12.48	2.71	37.92	134.09
New Jersey, (NJ)	17	12.43	1.85	84.98	475.25
Delaware, (DE)	18	11.78	0.63	70.75	392.00
Nevada, (NV)	19	11.44	0.26	104.77	312.02
Vermont, (VT)	20	11.28	2.45	65.97	350.98
Pennsylvania, (PA)	21	10.69	1.61	55.57	299.17
United States **	.	10.06	1.17	56.49	298.85
New York, (NY)	22	9.89	0.90	72.76	554.65
Mississippi, (MS)	23	9.59	2.85	27.62	138.56
North Carolina, (NC)	24	9.32	1.93	28.41	221.47
South Carolina, (SC)	25	8.93	1.67	31.48	205.02

*Note: Ranking based on one-year appreciation.

**Note: United States figures based on weighted Census Division average.

House Price Appreciation by State

Percent Change in House Prices

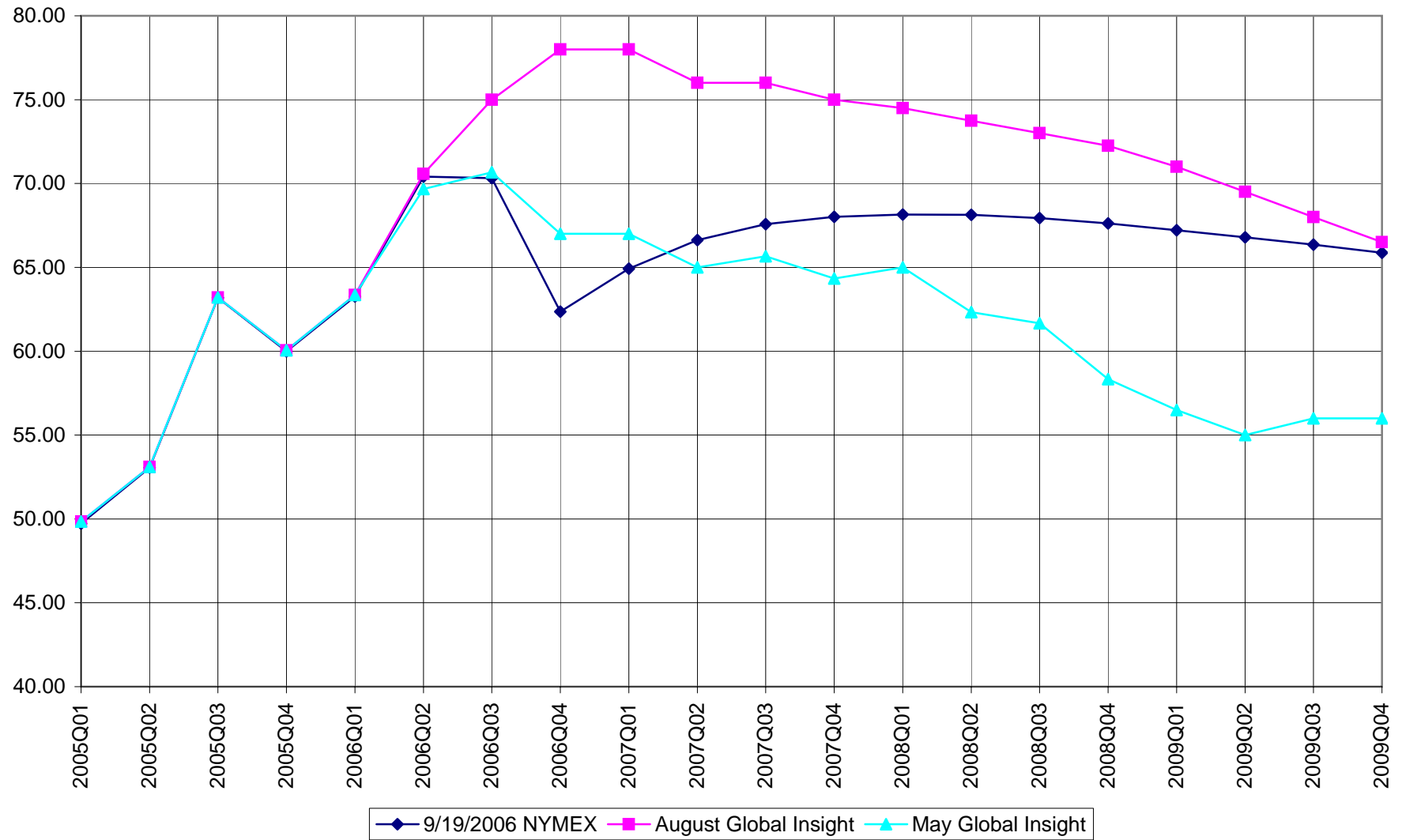
Period Ended June 30, 2006

State	Rank*	1-Yr.	Qtr.	5-Yr.	Since 1980
Alabama, (AL)	26	8.91	1.88	30.18	174.32
North Dakota, (ND)	27	8.88	3.00	39.64	140.99
Connecticut, (CT)	28	8.46	0.83	62.98	376.96
Tennessee, (TN)	29	8.10	1.96	28.06	191.09
Arkansas, (AR)	30	8.01	1.98	32.31	153.66
Illinois, (IL)	31	7.82	1.12	42.76	270.57
Rhode Island, (RI)	32	7.43	1.18	94.00	513.89
West Virginia, (WV)	33	7.40	0.15	34.73	127.04
Oklahoma, (OK)	34	6.50	1.78	26.75	97.79
Texas, (TX)	35	6.45	1.93	22.64	111.87
Maine, (ME)	36	6.25	-0.20	61.74	405.84
Georgia, (GA)	37	6.14	1.05	28.02	230.46
New Hampshire, (NH)	38	5.97	0.04	61.03	404.18
South Dakota, (SD)	39	5.96	2.05	31.18	175.99
Missouri, (MO)	40	5.77	0.45	33.29	196.36
Wisconsin, (WI)	41	5.58	0.31	36.00	226.57
Kentucky, (KY)	42	5.27	1.21	24.94	183.51
Minnesota, (MN)	43	4.94	0.28	46.61	271.41
Iowa, (IA)	44	4.30	1.26	23.61	146.78
Colorado, (CO)	45	4.20	0.96	23.68	263.10
Kansas, (KS)	46	4.15	1.04	24.10	138.93
Nebraska, (NE)	47	3.63	0.95	21.57	155.27
Massachusetts, (MA)	48	3.40	-0.44	56.98	631.67
Indiana, (IN)	49	2.76	-0.04	17.00	154.65
Ohio, (OH)	50	2.14	-0.05	18.40	172.34
Michigan, (MI)	51	1.01	-0.72	18.95	222.11

*Note: Ranking based on one-year appreciation.

**Note: United States figures based on weighted Census Division average.

WTI Oil Price Forecasts



Risks to the Forecast

Optimistic (20% Probability).

Strong productivity growth enables strong real growth without accelerating inflation.

U.S.

- Stronger productivity growth
- Stronger foreign economic growth
- Stronger dollar
- Stronger business investment
- Lower federal government budget deficits
- Stronger housing starts
- Lower energy prices

Washington

- Stronger population growth
- Stronger aerospace employment growth
- Stronger construction employment growth
- Stronger wage growth
- Higher local inflation
- Higher personal income

Pessimistic (25% Probability).

Rising inflation produces monetary crackdown and slow real growth.

U.S.

- Less excess capacity globally and in the U.S.
- Weaker dollar
- Higher oil prices
- Higher interest rates
- Larger federal deficit
- Housing bubble bursts

Washington

- Weaker population growth
- Weaker aerospace employment growth
- Weaker construction employment growth
- Weaker wage growth
- Lower local inflation
- Lower personal income

Growth Rates of Major Excise Taxes and Economic Drivers

Percent Change from the Year-Ago Level

	Employment	Personal Income		Revenue Act*	
		Nominal	Real	Nominal	Real
1994:1	2.1	4.8	2.8	7.1	5.1
1994:2	2.0	4.7	2.8	5.0	3.1
1994:3	1.8	5.4	3.0	4.5	2.1
1994:4	2.5	5.6	3.3	6.7	4.3
1995:1	2.5	6.8	4.3	3.8	1.4
1995:2	2.3	5.2	2.8	5.8	3.3
1995:3	1.7	5.2	3.3	5.3	3.3
1995:4	0.9	4.1	2.2	1.3	-0.6
1996:1	1.8	6.4	4.2	5.4	3.3
1996:2	2.3	7.3	5.1	4.0	1.9
1996:3	3.2	8.0	5.8	6.2	3.9
1996:4	4.4	8.5	6.0	6.5	4.0
1997:1	3.9	8.0	5.7	8.8	6.5
1997:2	4.3	7.6	5.7	8.0	6.2
1997:3	4.1	7.0	5.3	7.8	6.1
1997:4	4.0	7.4	6.1	10.0	8.7
1998:1	3.7	8.8	7.9	3.7	2.8
1998:2	3.4	9.0	8.1	7.4	6.5
1998:3	3.1	9.8	8.8	6.6	5.6
1998:4	2.7	8.7	7.7	6.8	5.8
1999:1	2.4	7.4	6.2	7.6	6.4
1999:2	1.7	5.3	3.7	6.0	4.4
1999:3	2.0	6.6	4.6	6.8	4.9
1999:4	2.0	9.4	7.1	5.4	3.3
2000:1	2.6	10.0	7.1	9.1	6.3
2000:2	2.7	9.0	6.3	7.1	4.4
2000:3	2.0	5.9	3.4	5.5	3.0
2000:4	2.0	3.4	1.1	4.9	2.6
2001:1	0.9	1.1	-1.1	3.4	1.2
2001:2	0.1	5.1	2.7	0.4	-1.9
2001:3	-0.6	3.6	1.5	-1.9	-3.9
2001:4	-2.1	2.2	0.5	-1.3	-3.0
2002:1	-2.6	2.8	1.7	-2.6	-3.7
2002:2	-2.2	0.8	-0.4	-0.6	-1.8
2002:3	-1.3	2.4	0.9	1.1	-0.4
2002:4	-0.4	2.1	0.3	0.4	-1.4
2003:1	0.1	0.9	-1.4	-0.3	-2.6
2003:2	-0.0	1.8	-0.0	1.8	-0.0
2003:3	0.0	3.1	1.2	4.5	2.5
2003:4	0.4	2.7	0.7	3.6	1.6
2004:1	0.7	4.1	2.0	7.2	5.1
2004:2	1.7	5.0	2.2	7.2	4.3
2004:3	1.8	4.3	1.6	6.4	3.6
2004:4	2.3	6.1	3.0	8.9	5.7
2005:1	2.7	5.7	2.9	9.3	6.4
2005:2	2.7	4.6	1.9	9.5	6.7
2005:3	2.8	6.2	2.9	10.4	7.0
2005:4	3.0	6.2	3.0	9.3	6.0
2006:1	3.4	7.8	4.7	10.0	6.8
2006:2	3.0	7.9	4.5	10.8	7.3
2006:3	3.0	9.2	6.0	8.6	5.4
2006:4	2.6	8.6	5.7	8.0	5.1
2007:1	2.1	7.2	4.3	5.1	2.2
2007:2	2.2	6.9	4.5	3.3	1.0
2007:3	2.2	6.9	4.8	4.1	2.1
2007:4	2.3	6.7	4.6	5.0	3.0
2008:1	2.3	6.7	4.8	5.4	3.4
2008:2	2.3	6.9	4.9	5.6	3.7
2008:3	2.2	7.1	5.1	5.6	3.6
2008:4	2.1	7.0	5.1	5.5	3.5
2009:1	2.0	6.9	5.0	5.3	3.4
2009:2	1.9	6.7	4.9	5.1	3.3

* Based on Revenue Act tax liability (constant rate/base). Deflator for real growth is the personal consumption deflator. Revenue Act consists of the sales, use, B& O, and public utilities taxes.

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

September 2006 Baseline Forecast

Source/Fiscal	Percentage Change		Personal Income
	Tax Base Adjusted*	Personal Income-1	Elasticity**
I. Retail Sales			
1988	8.0	7.3	1.1
1989	10.9	9.7	1.1
1990	13.7	10.5	1.3
1991	5.7	8.9	0.6
1992	6.6	6.6	1.0
1993	4.2	6.9	0.6
1994	6.3	4.3	1.4
1995	4.7	5.8	0.8
1996	3.6	5.8	0.6
1997	7.1	8.0	0.9
1998	7.3	8.1	0.9
1999	7.1	7.8	0.9
2000	7.4	8.8	0.8
2001	3.1	3.9	0.8
2002	-0.6	2.4	-0.3
2003	2.3	1.8	1.3
2004	5.1	3.7	1.4
2005	7.8	5.2	1.5
2006	9.5	7.0	1.4
2007	5.6	8.0	0.7
2008	5.3	6.8	0.8
2009	5.6	6.9	0.8
II. Business & Occupation			
1988	10.6	7.3	1.5
1989	9.4	9.7	1.0
1990	14.3	10.5	1.4
1991	6.3	8.9	0.7
1992	6.4	6.6	1.0
1993	3.5	6.9	0.5
1994	2.0	4.3	0.5
1995	6.8	5.8	1.2
1996	4.5	5.8	0.8
1997	9.0	8.0	1.1
1998	7.2	8.1	0.9
1999	7.2	7.8	0.9
2000	5.5	8.8	0.6
2001	3.0	3.9	0.8
2002	-3.4	2.4	-1.4
2003	-2.4	1.8	-1.3
2004	6.6	3.7	1.8
2005	9.9	5.2	1.9
2006	12.6	7.0	1.8
2007	8.5	8.0	1.1
2008	4.5	6.8	0.7
2009	4.5	6.9	0.7

Analysis for the Major Sources Based on Taxable Activity

Revenue Act Sources

Sept. 2006 Forecast

Source/Fiscal	Percentage Change		Personal Income Elasticity**
	Tax Base Adjusted*	Personal Income-1	
III. Use			
1988	5.3	7.3	0.7
1989	12.8	9.7	1.3
1990	14.6	10.5	1.4
1991	9.8	8.9	1.1
1992	-0.9	6.6	-0.1
1993	6.8	6.9	1.0
1994	7.0	4.3	1.6
1995	5.8	5.8	1.0
1996	8.2	5.8	1.4
1997	5.5	8.0	0.7
1998	6.8	8.1	0.8
1999	0.8	7.8	0.1
2000	10.3	8.8	1.2
2001	8.2	3.9	2.1
2002	-8.2	2.4	-3.5
2003	-7.8	1.8	-4.3
2004	7.7	3.7	2.1
2005	12.6	5.2	2.4
2006	1.3	7.0	0.2
2007	9.5	8.0	1.2
2008	7.0	6.8	1.0
2009	6.3	6.9	0.9

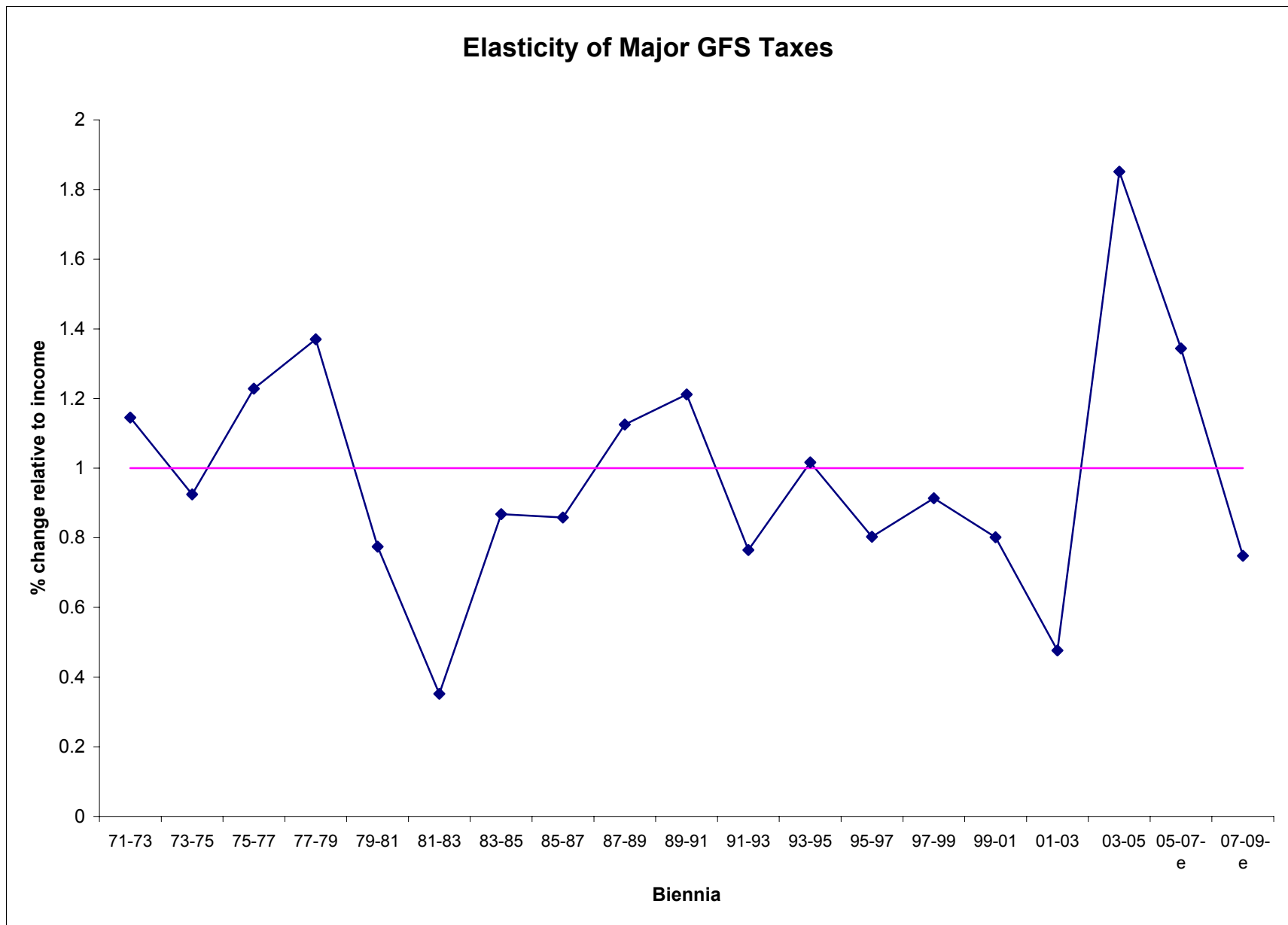
IV. Public Utility

1988	3.2
1989	0.7
1990	-1.3
1991	7.1
1992	0.0
1993	9.5
1994	13.6
1995	6.5
1996	1.4
1997	1.4
1998	4.0
1999	4.7
2000	7.2
2001	15.4
2002	0.5
2003	-2.0
2004	7.5
2005	6.8
2006	10.1
2007	5.8
2008	3.8
2009	3.8

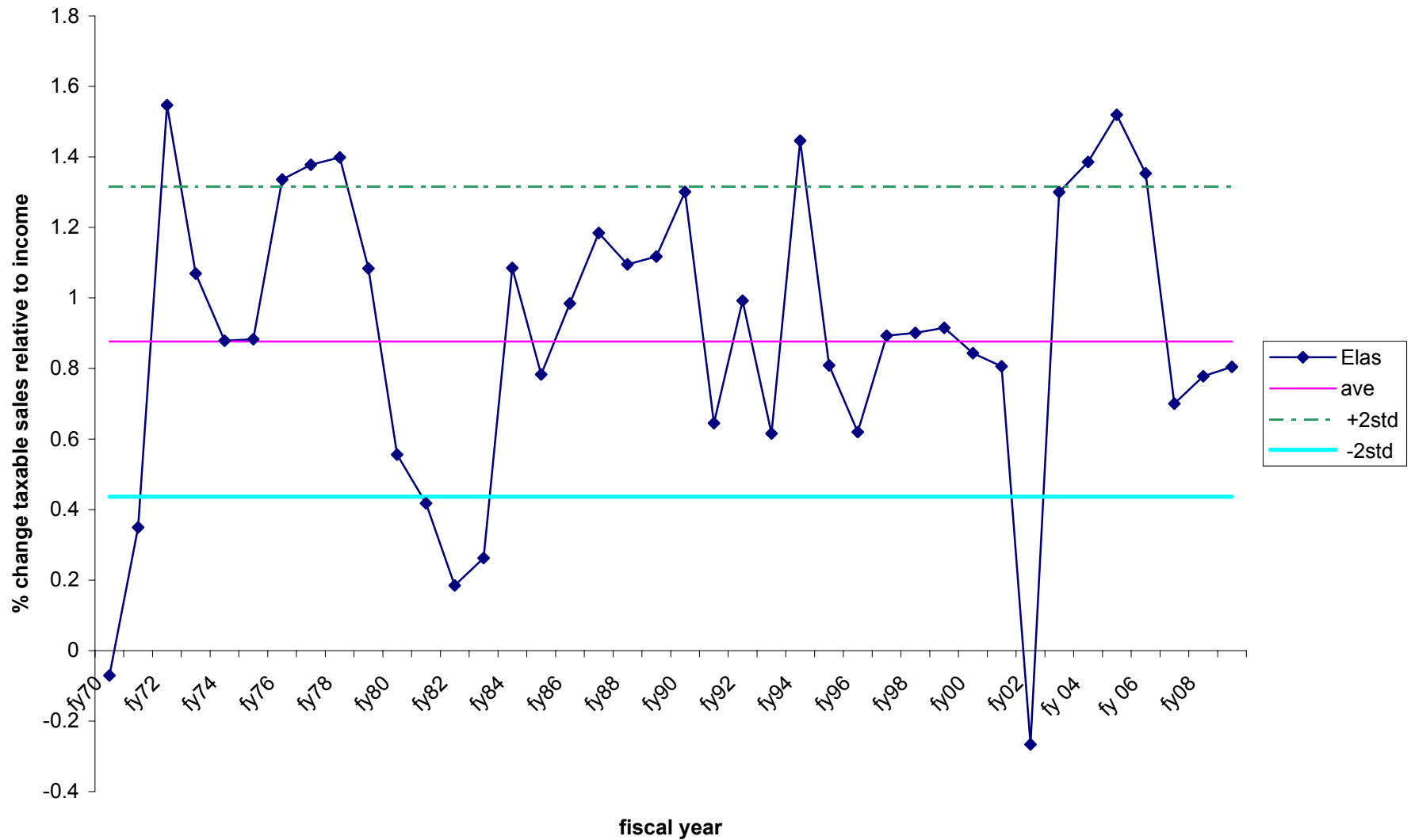
* Based on constant base taxable data.

** Percent changes in taxable activity relative to percent change in personal income.

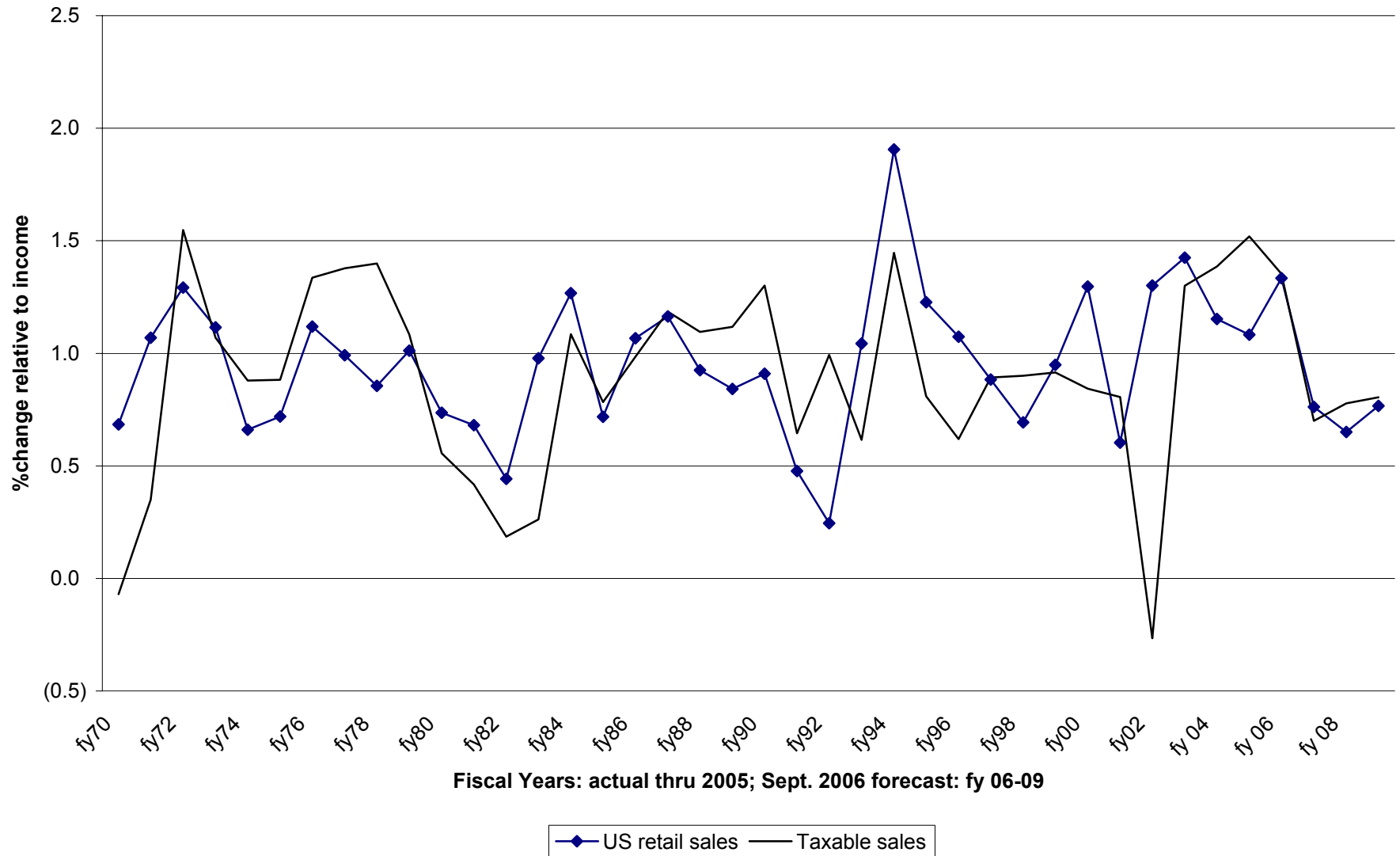
1 Income adjusted to exclude special dividend payment in fy 05.



%Change of Taxble Sales* Relative to Income

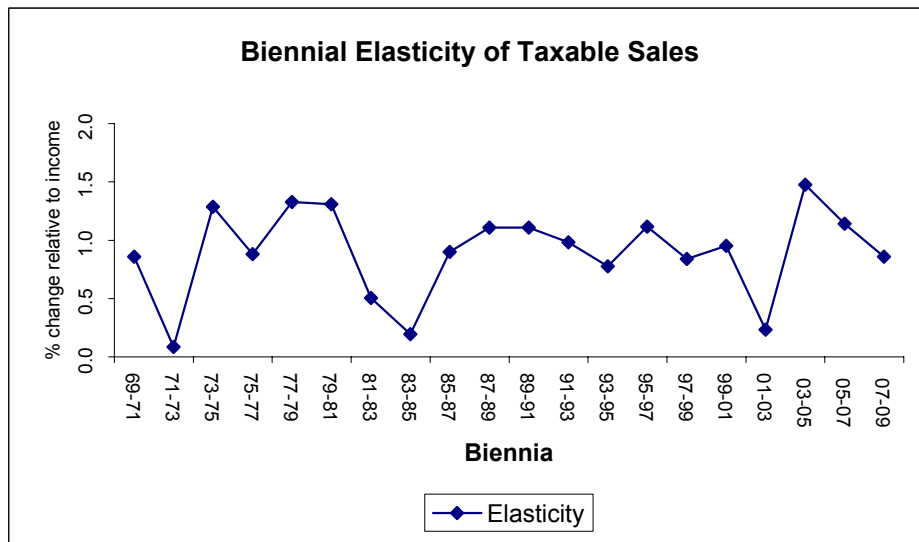


Elasticity: Taxable Sales (WA) and U.S. Retail Sales



Biennial Elasticity
Taxable Sales (adjusted)
September 2006 Forecast

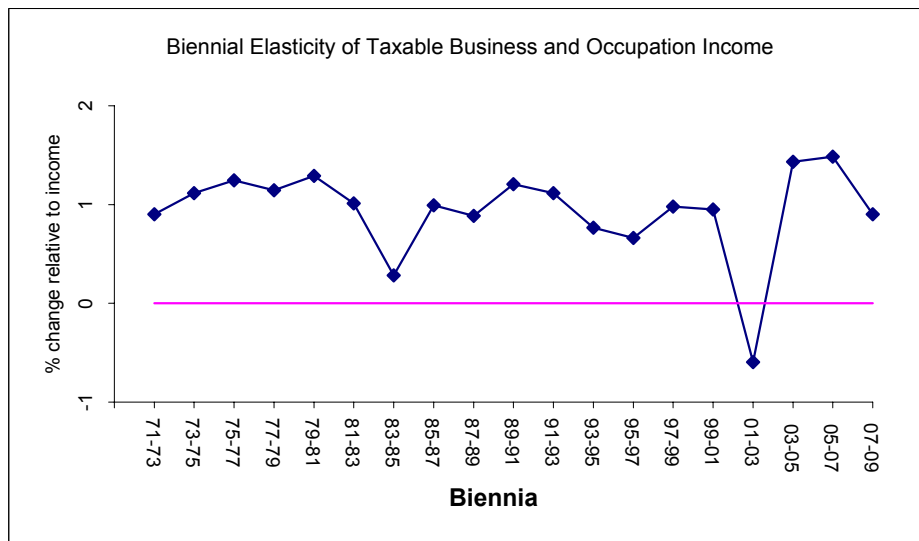
<u>Biennium</u>	<u>Elasticity</u>	<u>rank</u>
03-05	1.5	1
75-77	1.3	2
77-79	1.3	3
71-73	1.3	4
05-07:Est.	1.2	5
93-95	1.1	6
87-89	1.1	7
85-87	1.1	8
89-91	1.0	9
97-99	1.0	10
83-85	0.9	11
73-75	0.9	12
99-01	0.9	13
95-97	0.8	14
07-09:Est.	0.8	15
91-93	0.8	16
79-81	0.5	17
01-03	0.2	18
81-83	0.2	19
69-71	0.1	19



*Percent change taxable sales (adjusted for major base changes) relative to percent changes in income.
(Ave. of the elasticities of the fiscal years of the biennium. Based on the moving average of
state disposable personal income (adjusted for special Microsoft dividend.)

Biennial Elasticity
Taxable Business and Occupation Income (adjusted)
September 2006 Forecast

<u>Biennium</u>	<u>Elasticity</u>	<u>rank</u>
05-07: Est.	1.6	1
03-05	1.4	2
77-79	1.3	3
73-75	1.2	4
87-89	1.2	5
75-77	1.1	6
71-73	1.1	7
89-91	1.1	8
79-81	1.0	9
83-85	1.0	10
95-97	1.0	11
97-99	1.0	12
85-87	0.9	13
91-93	0.8	14
07-09:Est.	0.8	15
99-01	0.7	16
93-95	0.7	17
81-83	0.3	18
01-03	(0.6)	18



General Fund-State

Biennial Growth

September 2006 Forecast

General Fund-State Collection Growth ¹			Adjusted Growth Major Taxes ²
Total GFS Current Dollars			2000 Chained Dollars
Biennia			
1971-73	10.9%		7.6%
1973-75	23.4%		8.7%
1975-77	43.1%		14.8%
1977-79	32.3%		23.6%
1979-81	19.3%		3.4%
1981-83	27.0%		-7.1%
1983-85	20.6%		3.4%
1985-87	16.7%		4.9%
1987-89	14.2%		9.9%
1989-91	21.7%		15.0%
1991-93	11.7%	10.3 *	4.5%
1993-95	11.5%	7.7 *	6.2%
1995-97	6.5%	10.6 *	6.0%
1997-99	11.2%	14.5 *	12.2%
1999-01	8.4%	12.0 *	7.6%
2001-03	-0.6%	1.9 *	-1.1%
2003-05	10.6%	10.3% *	8.6%
2005-07 ^F	16.8%	17.8% *	12.3%
2007-09 ^F	8.1%	7.6% *	6.5%

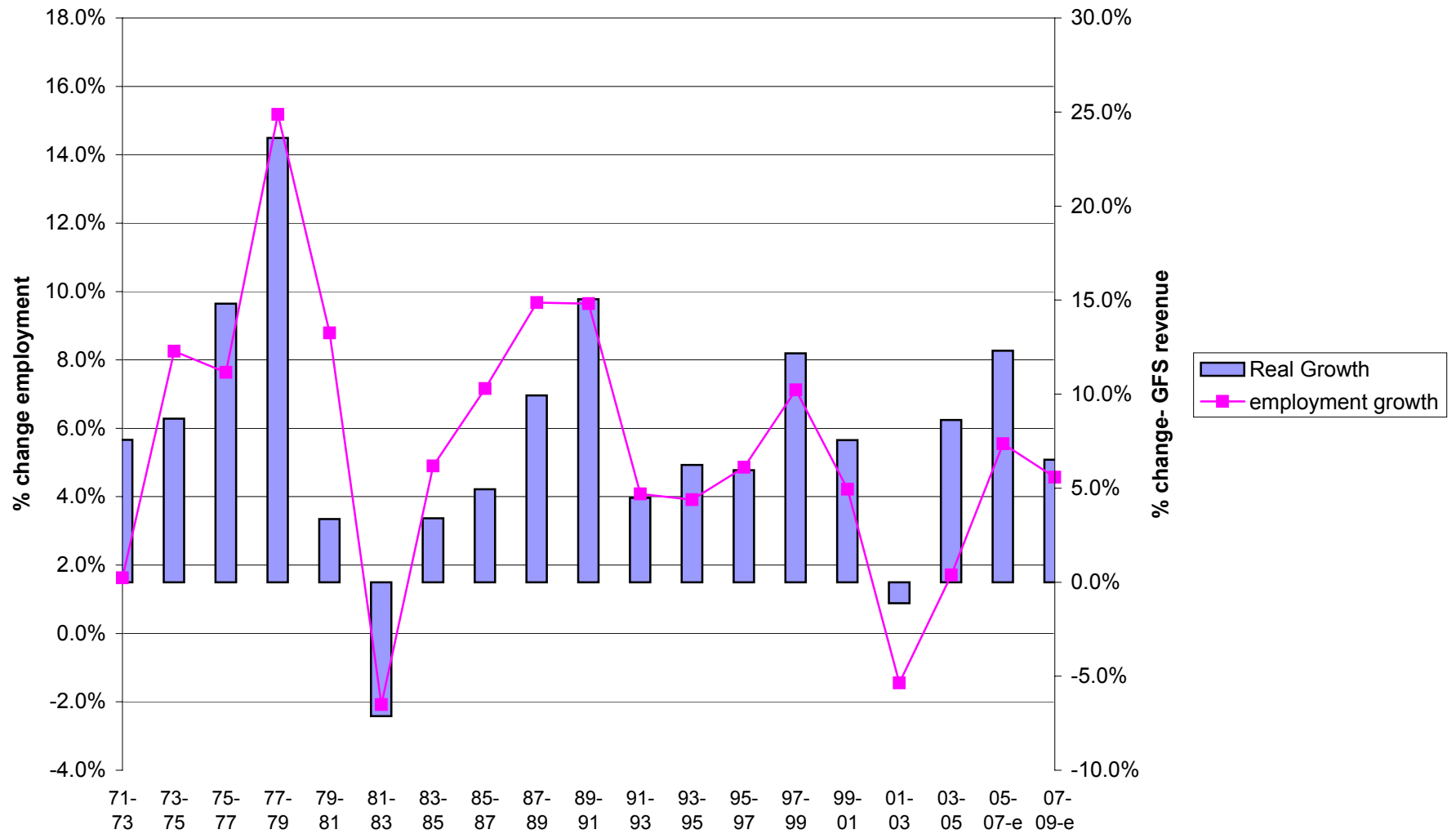
* Growth adjusted for major non-economic changes.

1 Actual growth in Total General Fund-State tax receipts includes growth due to changes in tax rates, the tax base as well as administrative and accounting changes. Represents growth of revenue available for appropriation. Growth is affected by factors other than economic performance, hence the growth rates may not be comparable among biennia.

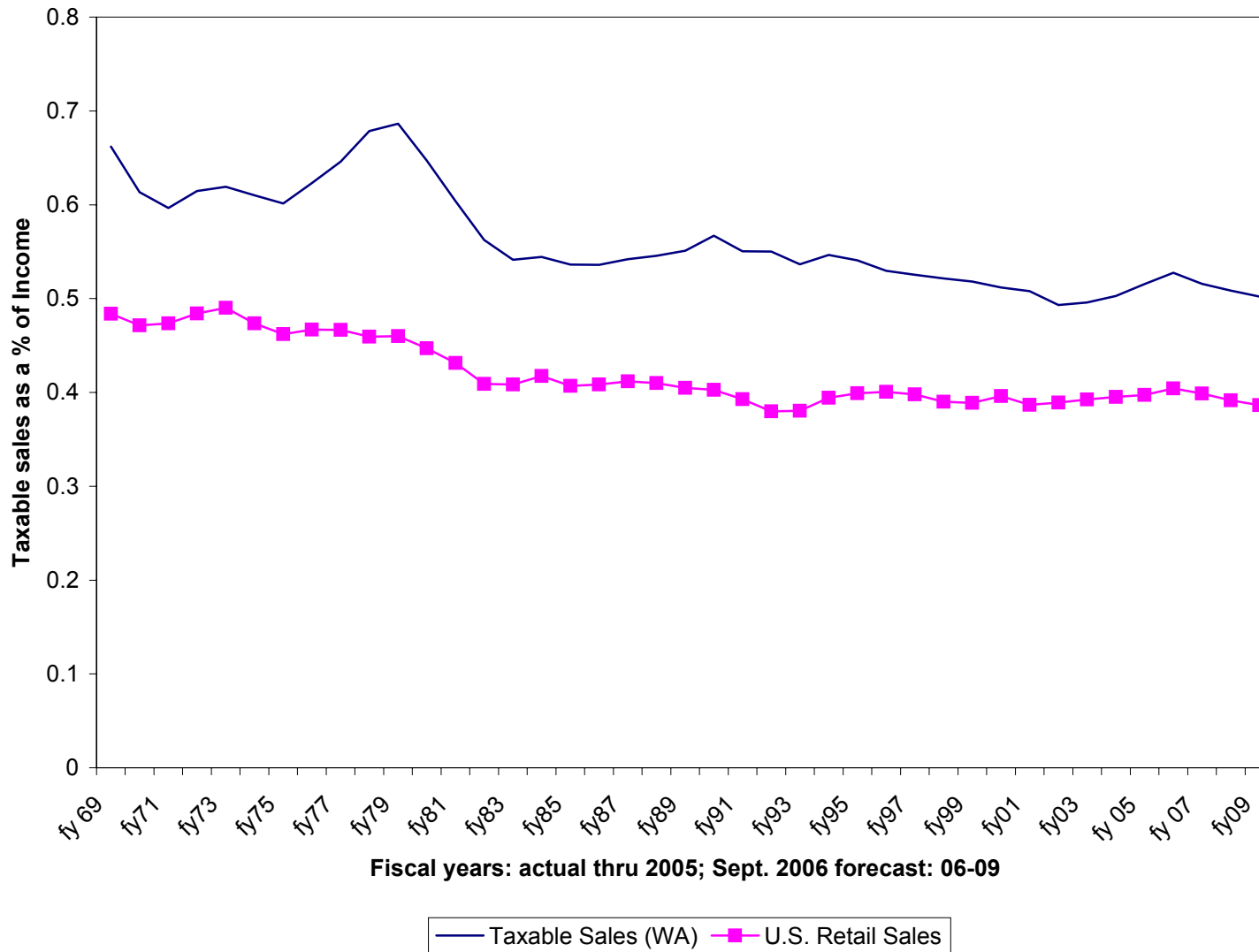
2 Estimated growth of six major taxes (sales, B&O, use, public utility, real estate excise, and property) on a tax liability basis, adjusted to a constant rate and base and adjusted for price changes. The growth rates in this column provide a measure of how revenue growth varies over time and with the economy.

F Forecast

Real Growth of the Taxbase of Major GFS Tax Biennia



Taxable Sales (WA) and U.S. Retail Sales as a % of Income



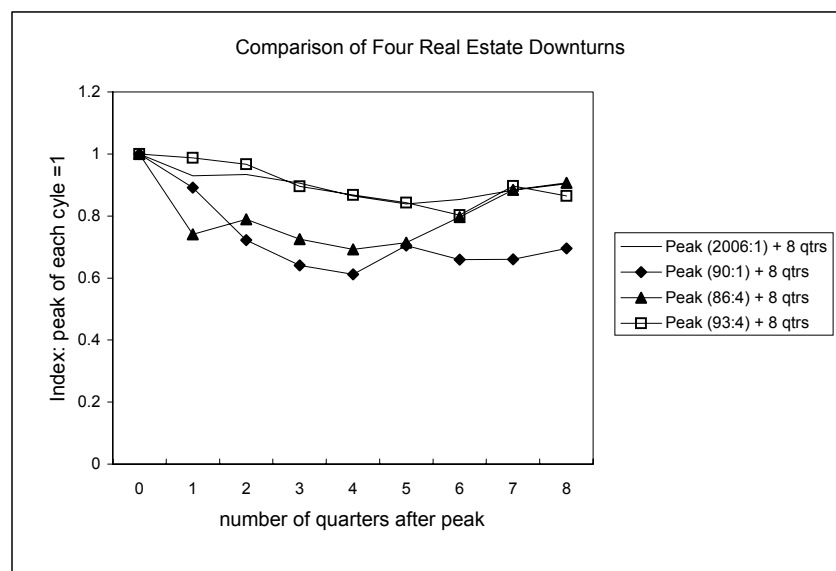
Downturns of the Real Estate Excise Taxbase in the Last 25 years

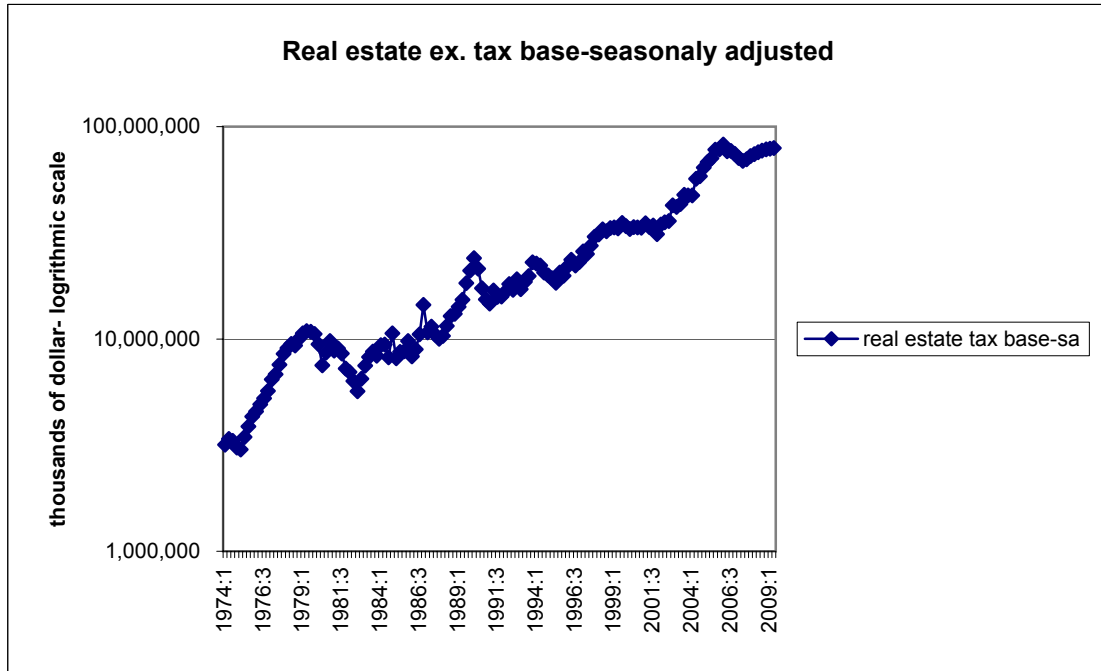
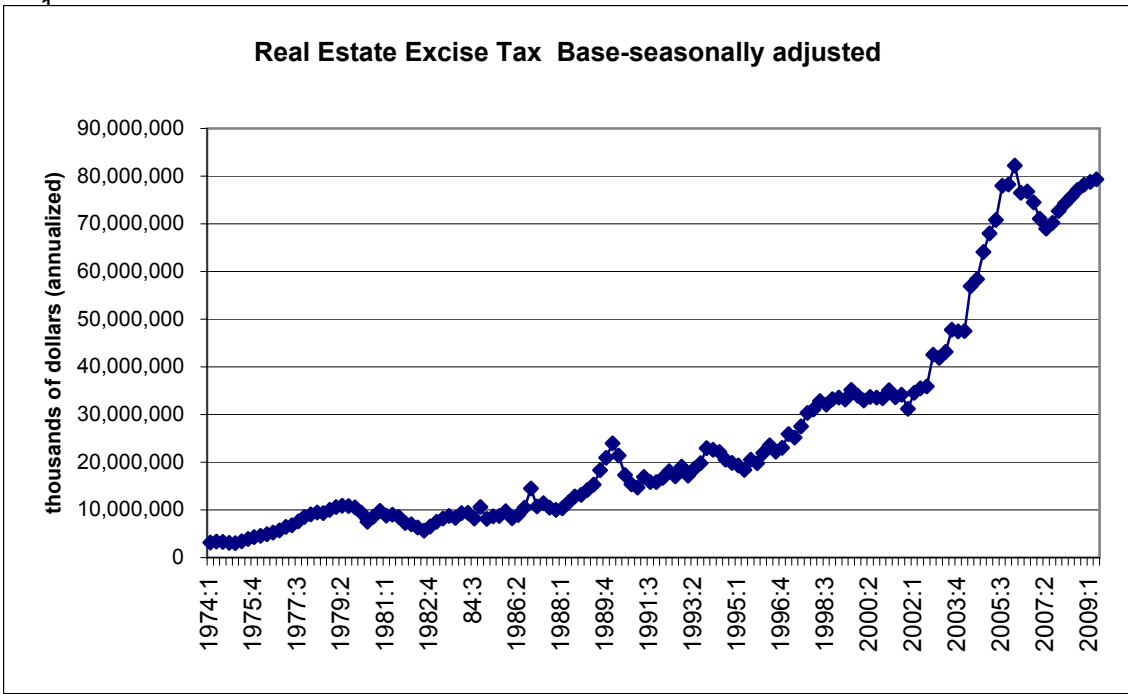
<u>Period</u>	<u>Decline of Taxbase</u>	<u>Number of Qtrs</u>	<u>Peak to Trough Difference in Mtg rate</u>
Peak: 1979:2 Trough: 1980:2	-31.0%	4	3.7
Peak: 1980:4 Trough: 1982:3	-42.1%	7	1.9
Peak: 1986:4 Trough: 1987:4**	-30.8%	4	1.2
Peak: 1990:1 Trough: 1991:1	-38.8%	4	(0.6)
Peak: 1993:4 Trough: 1995:2**	-19.8%	6	0.9
Peak: 1999:3 Trough: 2001:4	-11.3%	9	(1.0)
Average for all downturns	-29.0%	5.7	1.0
Ave.for non recession downturns**	-25.3%	5.0	1.0

September 2006 Forecast

Peak: 2006:1 Trough: 2007:2	-16.1%	5	0.5
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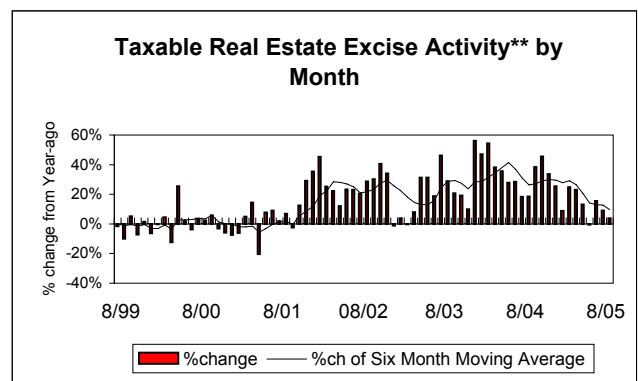
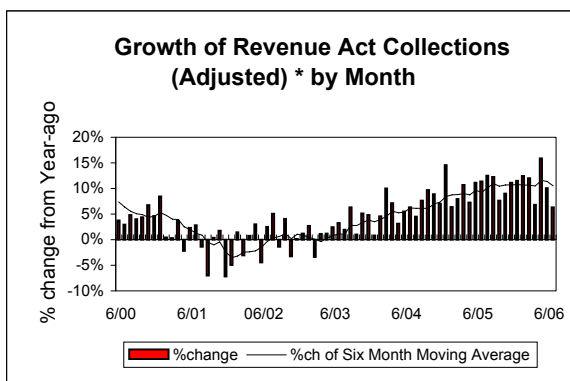
**Non recession downturns





Pattern of Monthly Growth in Major Revenue Sources

	Year-over-Year Percent Change Revenue Act*	Real Estate Excise Tax**
April 2005	10.7%	27.7%
May 2005	7.3%	28.4%
June 2005	11.1%	18.4%
July 2005	11.4%	18.5%
August 2005	12.5%	38.4%
Sept. 2005	12.2%	45.5%
Oct. 2005	7.6%	33.6%
Nov. 2005	9.0%	25.4%
Dec. 2005	11.1%	8.9%
Jan. 2006	11.5%	24.8%
Feb. 2006	12.4%	23.2%
Mar. 2006	12.0%	13.1%
April 2006	6.8%	-0.6%
May 2006	15.9%	15.6%
June 2006	10.0%	9.1%
July 2006	6.3%	3.9%



September 2006 Baseline Forecast by Agency
Comparison of Cash and GAAP Basis
(Millions of dollars)

Agency	2003-05 Biennium			2005-07 Biennium			2007-09 Biennium		
	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.	Cash Basis ¹	GAAP Basis ²	Diff.
General Fund - State Cash/Revenue Sources									
Department of Revenue ³	\$22,573.4	\$22,771.6	\$198.2	\$26,370.8	\$26,516.9	\$146.1	\$28,557.3	\$28,671.8	\$114.5
Department of Licensing	45.1	46.1	0.9	41.2	42.4	1.2	44.2	46.8	2.6
Insurance Commissioner ⁴	459.9	459.9	0.0	508.8	508.8	0.0	561.9	561.9	0.0
State Treasurer	50.7	52.1	1.4	150.0	152.3	2.3	135.7	134.2	(1.5)
Office of Financial Management									
Tuition	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Agencies	211.4	211.4	0.0	227.1	227.1	0.0	230.9	230.9	0.0
Subtotal: General Fund-State Cash/Revenue⁴	23,340.6	23,541.1	200.5	27,297.9	27,447.5	149.6	29,530.1	29,645.7	115.6
General Fund State - Other Financing Sources⁵									
Department of Revenue ⁶	147.0	152.5	5.5	120.2	120.1	(0.1)	129.8	130.0	0.2
Lottery Commission	4.3	6.1	1.9	9.5	7.6	(1.9)	0.0	0.0	0.0
Insurance Commissioner ⁷	(14.3)	(14.3)	0.0	(15.9)	(15.9)	0.0	(17.6)	(17.6)	0.0
Liquor Control Board	92.0	92.0	0.0	102.8	102.8	0.0	98.0	98.0	0.0
Office of Financial Management									
Other Agencies ⁸	(181.0)	(181.0)	0.0	(197.6)	(197.5)	0.1	(214.6)	(214.1)	0.4
Subtotal: GFS Other Financing Sources	47.9	55.3	7.4	18.9	17.1	(1.8)	(4.4)	(3.8)	0.6
Total Available Receipts/Resources									
General Fund-State *	\$23,388.5	\$23,596.4	\$207.9	\$27,316.8	\$27,464.5	\$147.8	\$29,525.7	\$29,641.9	\$116.2

* Detail may not add due to rounding.

1 General Fund-State cash receipts forecast.

2 General Fund-State Revenue Forecast on a GAAP (Generally accepted accounting principles) basis, used to show the state revenue position for financial reporting purposes.

3 Excludes the state share of the timber tax and unclaimed property transfers.

4 Total insurance premiums tax.

5 Other financing sources represent transfers to/from other funds from/to the General Fund.

6 Includes the state share of the timber excise tax and unclaimed property transfers.

7 Portion of fire insurance premiums transferred out of the General Fund

8 Agency 701 and accounting sources: 480 and 481 for all other agencies.

General Fund - State Cash Receipts
September 2006 Forecast by Fiscal Year
(Millions of Dollars)

	<u>General Fund - State</u>	<u>Percent Change</u>
Fiscal Years		
1986	\$4,566.2	
1987	5,008.4	9.7%
1988	5,248.1	4.8%
1989	5,686.0	8.3%
1990	6,505.4	14.4%
1991	6,803.5	4.6%
1992	7,297.6	7.3%
1993	7,564.6	3.7%
1994	8,013.4	5.9%
1995	8,551.3	6.7%
1996	8,581.2	0.3%
1997	9,056.6	5.5%
1998	9,640.9	6.5%
1999	9,979.2	3.5%
2000	10,433.2	4.5%
2001	10,828.9	3.8%
2002	10,450.7	-3.5%
2003	10,689.9	2.3%
2004	11,321.2	5.9%
2005	12,067.3	6.6%
Forecast		
2006	13,326.9	10.4%
2007	13,989.9	5.0%
2008	14,374.3	2.7%
2009	15,151.4	5.4%

General Fund-State And Near General Fund-State
September 2006 and June 2006 Forecast
2005-07 & 2007-09 Biennia
Millions of dollars

	2005-07 Biennium			2007-09 Biennium			Change From 2005-07	
	<u>June 2006 Forecast</u>	<u>Sept. 2006 Forecast**</u>	<u>Difference</u>	<u>June 2006 Forecast</u>	<u>Sept. 2006 Forecast**</u>	<u>Difference</u>	<u>Amount</u>	<u>Percent</u>
General Fund-State	\$ 26,967.0	\$ 27,316.8	\$ 349.8	\$ 29,463.3	\$ 29,525.7	\$62.4	\$2,208.9	8.1%
Near General Fund*								
Health Services Account	1,005.3	1,013.2	7.9	1,028.4	1,041.9	13.5	28.7	2.8%
Violence Reduction and Drug Enforce.Acct.	93.0	93.5	0.5	94.0	94.8	0.8	1.3	1.4%
Water Quality Account	45.3	46.5	1.2	43.6	45.6	2.0	(0.9)	-1.9%
Student Achievement Account	632.5	630.3	(2.2)	875.6	875.0	(0.5)	244.7	38.8%
Public Safety and Education Account	167.1	167.3	0.2	187.0	186.5	(0.4)	19.2	11.5%
Total Near GF	1,943.2	1,950.8	7.6	2,228.5	2,243.9	15.4	293.0	15.0%
Total GF and Near GF	\$ 28,910.2	\$ 29,267.6	\$ 357.4	\$ 31,691.8	\$ 31,769.6	77.8	2,502.0	8.5%

*Cash forecast; includes interest earnings.

General Fund-State and Near General Fund
History/Forecast by Fiscal Year
June 2006 - Millions of Dollars

	General Fund-State		Near General Fund		GFS and Near GFS	
	Level	% Change	Level	% Change	Level	% Change
fiscal 1995	8,551.3		247.2		8,798.5	
fiscal 1996	8,581.2	0.3%	352.5	42.6%	8,933.7	1.5%
fiscal 1997	9,056.6	5.5%	392.7	11.4%	9,449.3	5.8%
fiscal 1998	9,640.9	6.5%	413.5	5.3%	10,054.4	6.4%
fiscal 1999	9,979.2	3.5%	430.0	4.0%	10,409.2	3.5%
fiscal 2000	10,433.2	4.5%	418.9	-2.6%	10,852.0	4.3%
fiscal 2001	10,828.9	3.8%	442.2	5.6%	11,271.1	3.9%
fiscal 2002	10,450.7	-3.5%	706.7	59.8%	11,157.5	-1.0%
fiscal 2003	10,689.9	2.3%	779.9	10.4%	11,469.9	2.8%
fiscal 2004	11,321.2	5.9%	841.7	7.9%	12,162.9	6.0%
fiscal 2005	12,067.3	6.6%	807.6	-4.1%	12,874.9	5.9%
fiscal 2006	13,326.9	10.4%	933.1	15.5%	14,260.0	10.8%
fiscal 2007	13,989.9	5.0%	1,017.7	9.1%	15,007.6	5.2%
fiscal 2008	14,374.3	2.7%	1,099.0	8.0%	15,473.3	3.1%
fiscal 2009	15,151.4	5.4%	1,144.9	4.2%	16,296.3	5.3%